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Analytical document

Accompanying the document

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Towards a Quality Framework on Traineeships

**Second-stage consultation of the social partners at European level
under Article 154 TFEU**

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1. INTRODUCTION

Social Partners consultation

According to Article 154 TFEU Social Partners have to be formally consulted, before the Commission submits proposals in the social policy field (e.g. working environment, working conditions, social security and social protection of workers, and the integration of those excluded from the labour market and the combating of social exclusion, Article 153 TFEU).

Social partners are consulted in two stages – first on the direction of Union action and later on the content of the envisaged proposal. This document presents background information to support the *second stage* consultation of the European social partners on a possible EU initiative on a Quality Framework for Traineeships.

The first stage consultation was closed on 23 October 2012. It followed a public consultation carried out between 19 April and 11 July 2012¹.

This second stage consultation will gather opinions of the European social partners on the *content* of the envisaged proposal. The possible outcomes of this procedure are the following: social partners can enter into negotiations (which may last max. 9 months), and may reach an autonomous agreement or may ask the Commission to make a legislative proposal implementing their agreement. If social partners fail to agree or decide not to negotiate, the Commission has to assess the situation and can present its own proposal.

Context

Currently over five million young people in the EU under the age of 25 cannot find a job, and in a large number of Member States transitions from education to work have become increasingly longer, more unstable and uncertain. In this context, increasing the access of young people to the labour market is a top priority for policy makers and facilitating the transition from education to work is key in this context. By providing a possible stepping stone to more productive employment careers, traineeships can help foster sustainable job creation, reduce youth unemployment and eventually contribute to raise the employment rate –one of the headline targets of the Europe 2020 Strategy.

Despite the benefits of traineeships, concerns about their effectiveness and quality have been recognized by European Institutions. In its 2010 Resolution² the European Parliament called specifically for better and secured internships; for a European Quality Charter setting out minimum standards for internships to ensure their educational value and avoid exploitation; and for young people to be protected from those employers who are "*exploiting the willingness of young people to learn without any future prospect of becoming fully established as part of their workforce.*" In 2011, the European Commission foresaw in its Youth Opportunity Initiative the launch of a Quality Framework on Traineeships by the end of 2012.

In its conclusions on promoting youth employment of June 2011, the Council acknowledged that "*given a lack of appropriate employment opportunities, in some Member States a significant number of young people have no other choice but to take up precarious employment offers, such as unpaid or low-paid internships (...).*" In response, it asked

¹ SWD(2012)99, 18.04.2012. For more details see section 3

² EP 2009/2221(INI), 06.07.2010

Member States to "tackle labour market segmentation where appropriate by developing adequate contractual arrangements, strengthening activation measures as well as promoting sustainable and high quality employment, securing decent working conditions and providing adequate income protection with clear incentives for young people, while respecting national needs and starting positions and the important role of the social partners" and to "promote quality mobility for young people at both national and EU level." Similarly, in May 2011 the Council Conclusions on the structured dialogue with young people on youth employment emphasized that "(...) a quality framework for internships is desirable in order to guarantee the educational value (...)" of traineeships³. Furthermore, the June 2012 European Council concluded that "It is crucial to address youth unemployment, in particular through the Commission's initiatives on youth guarantees and the quality framework for traineeships (...)".

Member States, too, have been actively examining traineeships in order to improve their functioning. This has led to a series of initiatives, typically aiming at increasing safeguards against trainee exploitation and addressing quality concerns (see Box 1).

Box 1. Examples of Member States' Efforts to Enhance Trainee Protection in the Open Market

- Austria: in an effort to help the so-called 'internship generation' secure regular employment instead of successive traineeships, the 2010 Aktion + 6000 Programme provides wage subsidies to employers if, upon completion of the traineeship, they keep on the trainees.
- France: in an attempt to address the issue of successive traineeships, the 2011 Loi *Cherpion* stipulates that, inter alia, companies should wait for a period corresponding to 1/3 of the length of the previous traineeship before taking on a new trainee in the same role. This law strengthens the legal framework of traineeships and reinforces the trainee's rights, terms and conditions, including trainee compensation.
- Greece: in order to prevent employers from replacing regular staff with trainees, the 2010 Work Experience Programme for New Labour Market Entrants stipulates that companies which have reduced their staff in the last six months are not eligible to take part. In addition, an employer cannot renew the traineeship contract with the same trainee.
- UK: a number of voluntary charters (CIPD's Internship Charter) and codes of best practice (Code of Best Practice for Quality Internships) are promoted in an effort to improve the quality of traineeships in the open market.

Source: Traineeship study, European Commission (2012a), p. 65

The European cross-sectoral social partners (BusinessEurope, UEAPME, CEEP, ETUC) agreed to "promote more and better apprenticeship and traineeship contracts" and "ensure the right working conditions to welcome and support new entrants in the enterprise" as key actions under their 2010 Framework Agreement on Inclusive Labour Markets. In their joint work programme 2012-2014,⁴ the European social partners - aware of the remits of European competences in the field of employment and social affairs – agree on the need in general to

³ 8664/11 JEUN 19 SOC 313

⁴ See e.g. www.ueapme.com/IMG/pdf/EUSD_work_prog_2012-2014.pdf.

“establish the appropriate framework conditions to ensure employment opportunities for all workers and to allow for the integration, retention and development of workers in European labour markets”; and more specifically to take action to remedy the *“unacceptable situation”* of youth unemployment; to assess the situation of young people as a priority; and to *“focus on the link between education, young people’s expectations and labour market needs, taking into account young people’s transition into the labour market, in an effort to increase employment rates in general.”* While noting that they are put to a test in this exceptional situation, with success measured in their capacity to put forward solutions to EU labour markets problems, the European social partners announce that they *“will make, in the context of a framework of actions, concrete recommendations also to Member States and the EU institutions [and] also contribute to the G20 agenda on youth employment.”* Finally, they also agree to jointly ensure better impact and/or implementation of EU social dialogue instruments throughout Europe.

To ensure the respect of the principle of the autonomy of the social partners this document addresses issues such as types of traineeships, benefits and costs, the results of stakeholder consultations, the definition of the problem, the subsidiarity check, the policy objectives and reflections on how an EU initiative could achieve them. It does not claim to present a detailed assessment of policy options and their potential impacts – all of which would be addressed in a possible future impact assessment, taking due account of the outcomes of the 2nd stage social partner consultation. It does include, however, evidence and first indications on the costs and benefits of policy options and their potential impacts where available. It further lays out possible future steps to support a more detailed analysis in the context of a possible future full impact assessment.

2. TYPES OF TRAINEESHIPS, THEIR BENEFITS AND THEIR COSTS

2.1. Definition of traineeships

Traineeships, also known as internships or stages, are understood as a limited period of work practice spent at business, public bodies or non-profit institutions by students or by young people having recently completed their education, in order to gain some valuable hands-on work experience ahead of taking up regular employment. Given their similar aims, traineeships are often confused with apprenticeships; however, even though the distinction between the two can be fuzzy in some cases, traineeships and apprenticeships differ in several respects:

- An apprenticeship in a strict sense is a systematic, long-term training alternating periods at the workplace and in an educational institution or training centre. The characteristics of the apprenticeship (e.g. occupation, duration, skills to be acquired, wage or allowance) are defined in a training contract or formal agreement between the apprentice and the employer directly or via the education institution. Apprenticeships are normally part of formal education and training at upper secondary level (ISCED 3), the duration of the training is on average 3 years, and a successful completion leads to a nationally recognised qualification in a specific occupation. However, most initial vocational training programmes include some optional or compulsory practical training either in school or in a company and the borders between apprenticeships and school-based schemes which include traineeship periods at a workplace are not clear-cut.
- Traineeships on the other hand can be described as work practice including a training component. They allow to document practical work experience as part of the individual CV and/or as requested in educational curricula or to gain work practice for the purpose of

facilitating the transition from education and training to the labour market. They are predominantly short- to middle-term (a few weeks up to 6 months, in certain cases 1 year).

- Traineeships within education can be an optional or mandatory part of the curriculum or of the graduation procedure. Traineeships can be part of labour market programmes aiming at connecting or reintegrating people with the labour market.
- In most Member States, traineeships and related rights and conditions are only regulated in a fairly general way at best and may not be regulated at all. In a majority of Member States, a traineeship contract in particular explicitly is not an employment contract.

This document deals with traineeships only. For greater details on the distinction between traineeships and apprenticeships, please see Annex I.

2.2. Types of traineeships and their regulation

One may distinguish five major – partly overlapping - types of traineeships:⁵

1. Traineeships forming an optional or compulsory part of academic and/or vocational curricula (i.e. traineeships during education);
2. Traineeships which form part of mandatory professional training (e.g. law, medicine, teaching, architecture, accounting, etc.);
3. Traineeships as part of active labour market policies;
4. Traineeships on the open market, generally after completion of studies and/or as part of job search;
5. Transnational traineeships.

Type 1 and 2 traineeships are linked to educational and training programmes and curricula and are often a precondition for diploma or licences to practice. Educational institutions are generally involved in their organisation and monitoring. Similarly, employment services are involved in the organisation of type 3 traineeships. Generally, the most tightly regulated traineeships relate to the case of specific professions whose exercise requires the completion of compulsory traineeships as part of mandatory professional training by relevant bodies and professional associations. In almost all Member States, the most regulated professions with long periods of traineeships are those related to health (medicine, nursing, pharmacy, dentistry, psychology, psychotherapy, veterinary medicine etc.) and law (lawyers, barristers, judges); compulsory traineeships are also associated with some technical occupations such as architects and engineers, but may also be required for professions in media and journalism, hospitality or accountancy. Traineeships that are part of ALMP for young unemployed persons are typically also highly regulated. In contrast, open-market traineeships (to be understood as those in which no educational institution participates in the definition of the learning content and in the organisation of the traineeship) are subject to much less regulation and their definition and organisation is generally left to the bilateral agreement of the parties involved. Type 5 traineeships, i.e. those involving trainees and host organisations from different countries, are less common at present⁶.

Regulatory framework

⁵ Based on the classification suggested in European Commission (2012a), Study on a comprehensive overview on traineeship arrangements in Member States (henceforth “the Traineeship study”, available at <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=6717&visible=1>. Annex II reproduces the executive summary of the study).

⁶ See section 4.4. for more detail on transnational traineeships.

The regulation of traineeships differs considerably not only between the different types of traineeship, but also across Member States. At one end France regulates all types of traineeships directly under a series of laws, while in countries such as the Bulgaria, or the UK there is no specific national legal framework for trainees⁷. In six Member States (CY, IE, LT, LU, LV, UK), no legal definition of traineeships exists. Moreover, while traineeship contracts tend to be offered as a common practice in most EU Member States, less than half of the Member States have provisions in place regarding duration, remuneration or social protection coverage of traineeships, and practices with regard to these elements differ widely. Among the issues addressed is whether repeated traineeships are possible with the same employer, and whether trainees should be compensated and, if so, by how much and whether minimum wage rules should be applied.

Table 1 summarises the situation in terms of these key regulatory issues in EU Member States: Clearly, differences in the regulatory framework are rather important – in particular remuneration and social protection issues are not regulated in 11-12 Member States. It is also remarkable that in 11 Member States there are still legal and administrative barriers to trainees coming from another Member State.

Table 1. Key differences in regulatory framework

Issue	Yes	No	Unclear
Legal definition of traineeships	AT, BE, BG, CZ, DE, DK, EE, EL, ES, FI, FR, HU, IT, MT, NL, PL, RO, SE, SI, SK	CY, IE, LT, LU, LV, UK	PT
Legal provisions on duration	BE, BG, DE, EE, EL, ES, FI, FR, HU, IT, LU, MT, PT, RO, SI, SK, UK	AT, CY, CZ, DK, LV, NL, SE	IE, LT, PL
Legal provisions on remuneration	EL, ES, FR, HU, IE, LT, MT, PT, RO, SE, SI, SK	AT, BG, CY, CZ, DK, FI, IT, LU, LV, NL, UK	BE, DE, EE, PL
Legal provisions on social security protection	AT, BE, BG, CY, EL, FR, LT, RO, SE	CZ, DE, DK, EE, ES, IE, IT, LU, LV, MT, NL, PT	FI, HU, PL, SI, SK, UK
Absence of legal and administrative barriers for trainees from other EU MS	DK, IT, MT, SE, SI	BE, DE, EL, ES, FR, IE, LU, LV, NL, PL, RO	AT, BG, CY, CZ, EE, FI, HU, LT, PT, SK, UK
Traineeship contract offered as a common practice	AT, BE, BG, DE, DK, EE, EL, ES, FI, FR, IE, IT, LT, LV,	CY, LU, PL	CZ, HU, RO, SE, SK

⁷ See Annex II and Traineeship study, pp. 45-50 for details.

Source: Traineeship study, European Commission (2012a)

An example of a stricter regulatory approach: the US

In terms of regulation, it is interesting to compare the case of the EU with the US because, although the labour market is less regulated and the level of youth unemployment is different, the concerns voiced over traineeships are very similar and the trend toward a higher number of traineeships is equally prominent.

On traineeships, the U.S. clearly follows a more stringent regulatory approach than many, probably the majority, of EU Member States. The primary law governing workers' rights to fair compensation is the Fair Labor Standards Act of 1938 (FLSA). The FLSA requires employers to provide the federal minimum wage to most workers. To determine whether an intern qualifies as an "employee" under the FLSA, the Department of Labor has developed a six-point test for employers to apply, based on a 1947 Supreme Court ruling. All six points must be met in order to determine that trainees are *not* fully protected "employees"; if only one of the points is not met, the trainee would be considered an employee under the FLSA, and hence entitled to receive the federal minimum wage. These six points include (Edwards, Hertel-Fernandez, 2010):

1. The training, even though it includes actual operation of the facilities of the employer, is similar to that which would be given in a vocational school;
2. The training is for the benefit of the trainee;
3. The trainees do not displace regular employees, but work under close observation;
4. The employer that provides the training derives no immediate advantage from the activities of the trainees and on occasion the employer's operations may actually be impeded;
5. The trainees are not necessarily entitled to a job at the completion of the training period;
6. The employer and the trainee understand that the trainees are not entitled to wages for the time spent in training.

Particularly points 1-4 are quite restrictive. In practice however these guidelines are hobbled by legal and technical issues making their application far from straightforward; partially as a result of this they have not been extensively enforced until recently (Curiale, 2010). However, this may be changing as a result of suits filed by former interns against several well-known corporations (Time Magazine, May 2 2012). This is reportedly already leading to a perceptible drop in unpaid internships (USA Today, July 3, 2012).

Lack of official statistics

Partly as a result of the wide variation in type and official recognition of traineeships, there are no official statistics on trainees. Academic research on traineeships is scarce, particularly as regards quantitative studies, and tends to be fragmentary and country- and situation-specific. This document is mainly based on the Traineeship study, which provides a first EU-wide evidence base on traineeships. A few studies and survey results have been quoted when particularly relevant; however it has to be born in mind that their methodology is different, so that caution is needed in comparing their results directly.

Although the lack of official statistics makes it impossible to measure precisely trends over time, available evidence suggests that traineeships, whether national or transnational, are becoming significantly more common in the EU and worldwide. There is wide consensus that traineeships are becoming a standard feature of young people's transition from education and training to the labour market. The Traineeship study found a definite upward trend over time in almost all Member States. For example, a study found for Germany that the share of those who did a post-graduate traineeship was 25% amongst 18 to 24 year olds, while only 17 % of those in the 30-34 age bracket had done one after their studies. In the US, the National Association of Colleges and Employers found that 50% of graduating students had followed internships in 2008, up from the 17% reported in a 1992 study by Northwestern University (Greenhouse, 2010). In Japan, too, the so-called '*freeters*' or *furita* are becoming more common (Hommerich, 2008).

2.3. Benefits and costs of traineeships

The spread of traineeships is due to a growing realisation of their benefits to both trainees and employers, while also responding to the overall economic and labour market situation. These benefits have implications at the macro level, too. Traineeships also have a series of costs, at individual level and for society at large.

Trainees

A positive traineeship experience can play an important role in building the foundation of a successful career. This is because traineeships, owing to their practical, hands-on nature, are increasingly being seen as an important contribution in terms of acquiring useful skills, both during studies and later, during the transition to employment and the subsequent career.

Traineeships can supply *students* with several benefits: 1) the ability to relate classroom concepts to practical applications, 2) an improved knowledge of industry career paths, 3) crystallization of interests and career ambitions, 4) a reduced shock upon entering the workplace, and 5) faster advancement (Coco, 2000).

Traineeships have further been found to enhance productivity by increasing students' knowledge base and motivation (Beard, 1998); and to improve not only the transition from school to work, but even students' grades while education is ongoing (e.g. in accounting) (Knechel, 1987; English, 1993).

The exposure to the workplace enables students to obtain a realistic preview of the business environment and corporate culture and helps bridge the transition from university life to professional work life, notably in the case of expatriate trainees (Feldman, 1998). Traineeships can enhance students' chances of receiving job offers at the firms where they trained, or elsewhere due to signalling effects related to previous traineeships; work performance of professionals that have had a traineeship experience, as measured by their annual performance valuation, was better compared to those that had not, and their retention and promotion rates are also significantly higher (Höft and Hell, 2007; Siegel, 2010, 2012).

Trainees also face costs. The major component is the living cost and, in the case of transnational traineeships, costs due to the need to move to another country; in addition, particularly after the end of the studies, a traineeship involves an opportunity cost in terms of foregone earnings (as compared to regular employment); if the traineeship is during the studies, the opportunity cost might take the form of a possible delay in finishing one's studies. Finally, trainees face search costs for finding and applying for a traineeship.

Host organisations

One of the most important benefits of traineeships to host organisations consists of a better screening of job applicants, based on direct experience with the candidate rather than 'signals' (Stolorz, 2005), as shown by higher retention rates of employees who were in traineeships in the same company⁸. Traineeships also may help attract more or better job candidates. Finally, host organisations can utilise the trainees, alongside regular employees, to conduct certain work activities at lower or no cost, while benefiting from trainees' up-to-date academic knowledge and skills. In a 2011 survey of 218 top, senior and middle level managers in the UK, 52% said that the main reason for taking on interns was to identify new talent for the organisation, while 17% said it was to get work done more cheaply. A 95% share of them believed that interns were useful to the organisation⁹.

A company's involvement in a well-designed traineeship programme can also be seen as a mark of business quality. The provision of quality traineeships is sometimes utilised as an integral part of an organisation's CSR (Corporate Social Responsibility) and employer brand¹⁰.

The costs of a traineeship for a host organisation include, besides any direct remuneration, mainly the training costs, typically related to the time that trainers or other employees have to spend overseeing the trainee. In addition, costs include the provision to the trainee of office space and equipment. Unfortunately, no studies quantifying training costs could be identified. Edwards and Hertel-Fernandez (2010, p. 5) provide two examples which can be taken to represent a plausible range of training costs for the US (US\$ 400 and US\$ 3500). In a more dated contribution, McCaffery (1979) estimated the total direct costs of one specific traineeship programme at US\$ 2000 per trainee.

While training costs and oversight costs can be fairly limited in case the tasks assigned to the trainee are easy, they can be fairly substantial in ambitious, high quality programmes. Box two provides two case studies.

⁸ A 2011 report on recruitment practices of UK firms found that there are on average 70 applicants for each traineeship position, and that three out of five leading companies would not interview candidates who have not done work experience with them, irrespective of the university they have attended or the results they have achieved. The report also states fears of recruitment experts that less well-off students will lose out and that "with few firms offering an internship wage, all but the very wealthy will be eligible for top jobs." See High Fliers Research (2011).

⁹ However, the share drops to 85% amongst all respondents. See Heath, Potter (2011).

¹⁰ The recent UK Common Best Practice Code for High-Quality Internships states that greater access to high-quality traineeships can help an organisation meet its CSR objectives by promoting social mobility and diversity in the professions. In a similar vein, in both the Netherlands and Slovenia, the AIESEC traineeship programme also explicitly links the offer of quality traineeships with the promotion of a positive and strong employer brand and CSR which, in turn, can enhance an organisation's attractiveness to the best talent.

Box 2. Case studies - the benefits and costs of providing high quality traineeships

Swedbank's 'Young Jobs' project

In 2010 Swedbank launched the project “Young Jobs”. The idea is to use Swedbank’s extensive network of branches to encourage the creation of trainee positions for people aged between 18 and 24. The objective is not only to create trainee positions at the Swedbank and related Savingsbanks' branches, but also to encourage the bank’s corporate clients (businesses and municipalities) to offer trainee positions themselves. The bank’s employees have a good understanding of the local companies’ operations as well as their needs and are therefore in a good position to identify possible job openings. The project is conducted in cooperation with local employment offices.

To support the project, the website www.ungajobb.se, was created where young people can search for new trainee opportunities while companies can enroll in the project.

The total number of traineeships created by the project was 3,000 – including 400 traineeships within Swedbank, 1,600 traineeships in the Savings banks' 600 branches as well as 1,000 further traineeships at partner companies.

The traineeships included three months of practice also supported by the Swedish Public Employment Service Centre. Two full days of education, as well as five days of tutoring by staff members ensured the high quality learning content.

Swedbank’s branch office managers evaluated the project positively:

- 82 per cent said that Young Jobs has actively contributed in strengthening the bank’s brand.
- 65 per cent believed that Young Jobs has increased the confidence of personnel.
- 64 per cent answered that they are continuously planning to invite more trainees.
- 26 per cent stated that the project has increased business among current clients.
- 18 per cent point out that the project has resulted in new clients.

Of the approximately 400 apprentices within the bank 70% have been offered some form of employment after their internships. The costs of the programme for the bank are estimated at around € 1,200,000 per year, i.e. about € 3,000 per trainee.

Audi traineeship project in Brussels

Audi Brussels has recently launched an initiative together with two Belgian VET schools with the aim of providing a high quality technical traineeship. Although the traineeship borders on an apprenticeship in terms of the organisation and ambition of the scheme, it represents a useful example of an unpaid, but high quality traineeship.

Audi provides traineeship placements for 10 VET students, who spend a total of 600 hours in 75 days with the company (one day per week plus a 3 week workshop). The objective is to offer all the trainees a job at the end of the programme. The costs faced by Audi include two persons (not full-time) following the programme, organizing a course for 10 trainers, and

about € 300,000 to adapt the facilities to the needs of the programme. Audi's motivation is that it allows the company to train its future employees, thus reducing later recruitment costs. The programme is also part of the company's CSR policy; it helps to reinforce the image of Audi in Belgium.

Sources: Swedbank AB, Audi AG

Socio-economic costs and benefits

At macro-economic level, besides the direct productivity benefits, traineeships can improve labour market matching, ease education-to-work transitions and promote labour mobility, notably by decreasing search costs - both for enterprises looking for new staff and for young people, who, having just begun their work experience, may be uncertain about their skills, preferences and the direction in which to develop their career. The reduction in matching costs appears particularly beneficial in those countries where the costs of hiring and dismissing an employee are highest.

Social costs can also arise if traineeships, particularly repeated ones, displace regular employment, notably entry-level positions usually offered to young employees. In light of the long-term benefits of successful traineeships, however, the bulk of costs appear to be concentrated in low-quality traineeships with little learning content, where the time spent on the traineeship does neither lead to significant productivity gains nor entails positive signalling effects. These traineeships therefore provide little or no benefit in terms of the education-to-work transition. Other social costs relate to the spread of unpaid or low-paid traineeships which may limit the career opportunities of those from disadvantaged backgrounds, particularly in certain professions. Against the background of raising student tuition fees and tightening labour markets it may indeed be increasingly difficult for students or graduates from less wealthy backgrounds to afford to work for free. Such difficulties are exacerbated in the case of transnational traineeships. This in turn would prevent firms from identifying the most talented for some of their future top jobs.

3. CONSULTATIONS AND STAKEHOLDERS VIEWS

Public and social partner consultation

On 18 April 2012 the Commission adopted the communication 'Towards a job-rich recovery'¹¹, which was accompanied by the staff working document 'Quality Framework for Traineeships'¹² that launched a public consultation. The Commission asked stakeholders whether there is a need for such an initiative, what should be the scope of the initiative, which quality elements would have to be included and what form the initiative should take. Between 11 September and 23 October 2012, social partners were consulted on their views on the possible direction of an EU initiative on a quality framework for traineeships.

The public consultation received over 250 responses of which 29 came from national and regional governments (ministries and agencies), 8 from trade unions, 40 from employers' organisations and business representatives, 14 from youth (umbrella) organisations, 33 from education institutions, 11 from other organisations and 117 from private individuals.

¹¹ COM(2012)173, 18.04.2012

¹² SWD(2012)99, 18.04.2012

Trade unions, as well as NGOs, youth organisations, educational institutions, agencies involved in transnational traineeships and most individual respondents generally supported a Commission initiative (some asking for a binding legal instrument, others preferring non-binding recommendations); employers' organisations, chambers of commerce and industry – while acknowledging the positive role of traineeships in school-to-work transitions and in acquiring skills – typically adopted a more sceptical stance, with some questioning the need for an EU initiative. Those contesting the need for an EU initiative mostly came from Member States with comparatively well-developed, structured apprenticeship systems and traineeship markets (e.g. Germany, Austria, and Denmark).

Both employer organisations and Member States often referred to the need to keep the framework sufficiently flexible so that diversity of national systems and practices can be taken into account. Opponents of EU action argued that minimum requirements for traineeships should not be set at the European level, due to a lack of EU competence particularly on the issue of remuneration. Concerns were also raised about traineeship schemes becoming overburdened with too many legal or administrative procedures that could discourage companies from taking on trainees, thus depriving young people of valuable work experience opportunities.

Opinions about the scope of a possible initiative were varied as well. Many educational institutions preferred to keep the scope limited to traineeships that are part of study curricula/programmes; while other respondents including most employers suggested limiting the framework to 'open market' traineeships. Some comments (mainly from the world of education) enquired why apprenticeships should not be covered by the initiative.

On the quality elements most respondents agreed with the Commission's analysis/definition (traineeship contract, clear objectives and content, limited duration, adequate social security/remuneration etc.), however businesses and employers' organisations in particular argued that remuneration and social protection issues may not fall under EU competence and in any case small businesses would have problems applying them.

Several respondents urged the Commission to provide financial support to increase the number of traineeships, eventually by launching large scale EU-level programmes.

In their replies to the first-stage consultation EU social partners confirmed the positions taken in the public consultation. At the Social Dialogue Committee meeting of 23 October 2012 employer's organisations expressed the readiness to start discussions on traineeships as part of the EU social partner autonomous negotiations on a Framework of Action on Youth Employment. The European Trade Union Confederation explained that while it is fully committed to participate in the EU social partner's negotiations on the Framework of Action, it considered that the discussions under the Framework are not, at this stage, the appropriate place for negotiations on traineeships under Article 154 TFEU.

Small and medium enterprises

The Commission launched a specific consultation of small and medium enterprises (SMEs). The Commission sent out a questionnaire targeted at SMEs through UEAPME. The results highlighted that small businesses face particular difficulties when offering traineeship placements due to relatively higher levels of costs. However, traineeships offered important advantages for SMEs, in particular the possibility of screening potential future employees, recruiting and retaining high-skilled workers and enhancing the corporate image at relatively

low cost. SMEs favoured excluding open market traineeships from the scope of any EU initiative. Any proposal by the Commission should be non-binding (e.g. general principles) and take into account SME specificities. SMEs called for increased EU resources to increase the availability of traineeships, both national and transnational.

Consultations within the European Commission

DG Employment has been collaborating with DG Education and Culture on the issue of traineeships. Further to the EMPL-EAC cooperation, DG EMPL set up an Impact Assessment Steering Group with the involvement of SG, SJ and DGs EAC, ECFIN, ENTR, HOME, INFSO/CNECT, MARKT and RTD.

Recommendations from the Commission Impact Assessment Board

An earlier version of this paper was submitted to the Commission Impact Assessment Board, which examined it on two occasions, , requesting improvements to clarify the policy context and the problem definition, to better demonstrate the necessity, added value and proportionality of EU action, and to better present the available policy options and the effectiveness and efficiency of the presented avenues for action. The document was therefore amended by, *inter alia*, including more detail on the Treaty procedure for Social Partners consultation and on the concrete problems faced by trainees, by adding some new sections and an annex on market failure, by a clearer specification of subsidiarity considerations applying to this case, and by adding substantially more detail on the ways in which policy action could take form and the foreseeable impacts of the various options considered. It was also clarified that traineeships are not employment contracts in most Member States, and details were added on which aspects justify an EU action and which do not. It was also indicated that a more detailed assessment of impacts will be carried out following the results of this consultation, in case the Commission decides to present a proposal.

Traineeship survey by the European Youth Forum

The European Youth Forum (EYF) is the most important Europe-wide umbrella organisation representing young people in the EU. It conducted an online survey in 2011 among (ex)-trainees about their experiences and concerns regarding traineeships. More than 3,000 young people responded to the survey. Results (see Box 5) confirm that there is room for improvement in the quality of traineeships.

As a follow-up to the survey, the European Youth Forum – together with other civil society organisations and 31 MEPs – presented a European Quality Charter on Internships and Apprenticeships. The Charter underlines that traineeships and apprenticeships should be primarily a learning experience and should not replace jobs; that a traineeship should be based on a written contract and should be limited in time; that a mentor/supervisor should provide guidance throughout the traineeship; that the trainee should receive reimbursement of costs or should have the right to receive food, housing, and public transportation tickets instead; that decent remuneration should be provided for work carried out additional to the requirements outlined in the contract; and that clear evaluation criteria of the traineeship period is needed.

4. PROBLEM DEFINITION

4.1. Nature and extent of problems

The analysis carried out in the Traineeship study shows that concerns with traineeships usually take four main forms: insufficient learning content, lack of or low compensation,

unsatisfactory working conditions, and low level of intra-EU trainee mobility (see Box 3 for a summary of the qualitative findings and Table 2 for some relevant quantitative evidence).

Box 3. Main concerns identified by the Traineeship study

Insufficient learning content of the traineeship is one of the most frequent problems. Learning content is more likely to be formally defined where an educational institution is involved. Traineeships involving just the trainee and the employer more often lack content definition. This does not necessarily mean that these placements are entirely devoid of structure and content. For example, in the UK many employers voluntarily provided well-structured traineeships with pre-defined content. It is noteworthy however that even in Member States where regulation exists to define the content of traineeships (e.g. AT, LU), there are concerns that employers do not always abide by these rules.

Another worrisome point in relation to traineeships was found to be the lack of proper *social protection coverage* (most often only health, and in some cases occupational risk/accident insurance is being offered to the trainee). Traineeships which form part of government sponsored programmes increasingly oblige employers to pay the trainees' social security contributions, either in full or in part through subsidies (e.g. in CY, EL, PL).

The *lack of compensation or low pay* and *the prospect of exploitation* are general concerns mainly in the case of traineeships in the open market and mandatory professional training schemes. This is one of the most common theme and starkest message emerging in the study as well as in public debates, available literature, and information provided by trainees. The risk of substituting regular employment by traineeships is greater in Member States with high unemployment and/or unfavourable labour market conditions for young people (e.g. EL, ES, IT, PT). However, using traineeships as free labour is a growing phenomenon also in other countries, where young people might have to do several traineeships before they find a proper job. Whether traineeships should be paid or not is a contentious issue in many countries. *Employers' organisations* often argue that trainees gain work-related experience which will improve their employability, while taking on board a trainee can be time-consuming and resource intensive for the host organisation.

On the other hand, trainees who are not or insufficiently compensated have to rely on other sources of financial support, including own and/or family resources. This, in turn, raises concerns about *equity of access*, since those from less privileged backgrounds may not be able to draw on such resources in order to undertake traineeships to gain work-related experience and enhance their employability. Trainees are reported to be in many cases asked to carry out tasks usually performed by regular, fully-paid staff for which they receive no or low compensation. The issue of no or low trainee compensation (associated with poor trainee-related terms and conditions such as lack of social security coverage) is critical because a significant segment of young people may have to undertake a series of traineeships before securing stable employment. This can, in turn, seriously impede their ability to become financially self-sufficient and lead an independent and autonomous life. Further, there are indications of a gender 'pay gap' in traineeships with a larger proportion of women in unpaid or low paid placements.

Finally, low quality seems to be more common where there is a lack of monitoring and clear traineeship linked objectives.

Source: Traineeship study, European Commission (2012a)

Table 2. Indicators on the Quality of Traineeships

Indicator	Data	Source(s)	Country
Learning content			
Mentor' s performance: good or excellent	55%	EYF Survey, p.19	EU-wide
Mentor' s performance: less than satisfactory or not satisfactory	18%	EYF Survey, p.19	EU-wide
Relevance to respondents' field of study: good or excellent	55%	EYF Survey, p.19	EU-wide
Relevance to respondents' field of study: not satisfactory	6%	EYF Survey, p.19	EU-wide
Beneficial in terms of extending experience and practical knowledge	83%	Fuchs / Ebert (2008)	DE
Good mentoring	81%	Fuchs / Ebert (2008)	DE
Useful in terms of learning outcomes	70%	Briedis / Minks (2005)	DE
Duties/tasks at a good level	67%	Briedis / Minks (2005)	DE
The traineeship content was good	64%	Kravietz (2006)	DE
Usefulness for professional development	57%	Kravietz (2006)	DE
Usefulness for professional orientation	66%	Kravietz (2006)	DE
Good mentoring	61%	Kravietz (2006)	DE
The tasks contributed to learning	88%	OPALA survey (2010)	FI
Compensation			
Traineeship was paid	51%	EYF Survey, p. 15	EU-wide
Compensation covered living expenses	25%	EYF Survey, p. 15	EU-wide
Working conditions			
Feeling of being exploited	61%	Fuchs / Ebert (2008)	DE
Traineeship plans lacking / not followed / not useful	62%	Briedis / Minks (2005)	DE
Counselling / support during the traineeship was sufficient	81%	OPALA survey (2010)	FI
General level of satisfaction			
Trainees completely satisfied with their internship	25%	Internocracy (2010)	UK
Traineeships felt to be poor quality	30-40%	Traineeship study, p.831	UK

Comparison mandatory vs. open-market traineeships			
VET students <i>satisfied/very satisfied</i>	88%	Traineeship study, p.151	AT
University applied sciences graduates " <i>at least satisfied</i> "	80%	Traineeship study, p.151	AT
General University graduates " <i>at least satisfied</i> "	70%	Traineeship study, p.151	AT
Young graduates " <i>at least satisfied</i> "	52%	Traineeship study, p.151	AT

A first group of problems relates to the high share of traineeships characterised by **insufficient learning content**. Insufficient learning content might mean that the host organisation does not ensure a proper induction training or the trainee does not get a proper explanation/description of the work of the organisation and the underlying issues within the industry; it might mean that the host organisation does not ensure a mentor who follows the work of the trainee and supports him or her throughout the traineeship, or the appointed mentor does not fulfil his or her tasks. A traineeship with insufficient learning provides only a limited (or no) support to smooth education to work transitions since the trainee will acquire less practical skills by the end of the traineeship than he or she optimally could have acquired through a high quality traineeship.

Learning content tends to be most deficient where there is no well-structured written agreement between the trainee and the host organisation, specifying the purpose of the traineeship, the skills to be learnt, the roles and responsibilities of all parties involved, and the supervision, mentoring and monitoring arrangements (Traineeship Study, p. 137). These problems have been especially observed for open market traineeships; in the traineeships where learning institutions are involved problems exist, but are less common because the learning institution usually ensures minimum standards ahead of the traineeship, through guidelines and selection of host organisation, and ex post if negative feedback is received. A case study about a low-quality traineeship and the reaction by the learning institution is described in Box 4.

A share of 18% of traineeships is reported to be unsatisfactory with respect to learning content in the EYF survey (see Box 5; other surveys find even higher shares; see Table 2). This is less than the share of unpaid traineeship, which surveys results consistently indicate at around 50%, indicating that many unpaid traineeships are satisfactory from a content viewpoint.

Box 4. Case study: A low learning content experience

“A traineeship experience abroad is important, but in my case it’s been a wasted opportunity” says G.C., who did a traineeship as a fourth year law student. “I applied for a five-month traineeship organised by my university at a law firm in London, in the department for international property purchases. There were almost exclusively lawyers from my country there. My role was essentially making photocopies. My working time was the same as for the colleagues, I tried to be proactive but de facto I just did secretarial work like handling email and archiving documents. There may have been contributing factors for this, as the law firm had just moved and I did not know English perfectly. But I was not the only one in that situation; in the firm there were other two boys whose judgement was equally negative. I know that their tutor intervened doing some checks on the traineeships although I have the impression that my own complaint did not have any effect. Once back I explained to the responsible department in my university how things had gone and that there was no underlying project to make the traineeship useful. Nothing happened, but I know that in other such cases traineeships were stopped. My impression was that they were just looking for people to put to work for free; they were continuously looking for trainees, certainly not with training purposes. However the experience has not been totally negative, I noticed that my traineeship abroad is the first thing they note in interviews, but it could have had more value’.

Source: abridged from Repubblica degli Stagisti, E. Della Ratta, 8 March 2010

A second group of concerns relate the **lack of or the low level of compensation**. The EYF survey indicates that only every fourth trainee was remunerated or compensated enough to be able to cover his or her expenses. Lack of compensation explains concerns about equity of access and merit-based career opportunities, and raises issues about employers using traineeships as a form of unpaid employment with ‘cheaper’ trainees being used for entry level jobs and/or other job vacancies instead of regular staff. In the UK, a 2011 survey found that only 62% of permanent employees thought that trainees were treated fairly (Heath, Potter 2011).

A third group of problems relate to **working conditions** other than compensation, such as long working hours, substandard working conditions, lack of coverage for health and safety or occupational risks, lack of clarity on the applicable legal regimes, equal treatment, and so on.

Table 3 supplies some greater detail on the concrete problems typically encountered by trainees, their practical concerns and ideas for improvement, as identified by an online poll of a UK trainee organisation, “*Changing internships in the UK*”. The ranking of votes also provides some insight on the relative importance of problems, as perceived by trainees, although it should be stressed that online polls are not statistically representative and have a purely indicative nature. Apart from the specific aspect about the London-centric nature of UK internships, which is due to a high concentration of professional services firms in the capital, the concerns put forward are very similar to those put forward in other Member States (see also European Youth Forum survey results in Box 5).

Table 3. Internships for change poll, UK

Ideas	Votes
Pay interns National Minimum Wage	20.90%
Interns should be viewed as potential employees, not cheap labour	13.70%
A youth-driven quality mark to identify the organisations with the best internships	11.40%
Organisations should have to adhere to a minimum set of standards	7.90%
The London-centric nature of internships should be challenged	5.60%
Profit-making organisations should pay interns	5%
Organisations should define the nature of the work before the internship starts	4.40%
Set up an organisation you can turn to protect your rights if being treated unfairly.	3.50%
Make employers aware that they are supposed to have educational value for the intern	3.20%
Internships should be advertised to everyone	2.80%
Send a letter to companies/MPs advertising unpaid internships reminding them of their duty of care/law	2.60%
Distinguish between interns and volunteers	2.30%
Interns should be offered cheaper accommodation	2.30%
Unpaid internships should not require a commitment of more than 3 months.	2.30%
Others	11.80%
Total	100.00%
Concerns by topic (excl. 'others')	
Working conditions, fairness	39.70%
Learning content	30.50%
Wages and compensation	29.70%

Source: Data downloaded from Internocracy website on October 13, 2012 and elaborated by Commission services. The poll is ongoing.

Finally, a fourth group of problems that is typically not highlighted by trainees' organisations or national analysis but that is of concern from the perspective of the integration of EU labour markets is the **low level of intra-EU mobility for trainees**. This has important negative consequences for the integration of the EU labour markets and prevents young people living in countries with insufficient or unsatisfactory traineeship offer to profit from better opportunities in the EU single market. The problem will be discussed further in section 4.4.

Box 5. A closer look at data on traineeships – the European Youth Forum survey

Given the lack of official statistics, the only quantitative evidence available is represented by survey results. Although compiled from different populations and using different methodologies, they generally seem to supply encouragingly similar estimates on parameters such as rate of job retention after completion of a traineeship (which has been estimated at 12%, 14% and 16% in three different surveys in different EU countries).

One of the most important sources on EU traineeships is the European Youth Forum Survey conducted among (ex)trainees in the EU from April to July 2011. The 3028 responses provide a large enough sample for drawing some conclusions concerning quality concerns related to traineeships, as well as the dimension of the problem.

Most trainees are in their twenties and traineeships typically last between 4 and 6 months. The majority of respondents (63%) have done one or two traineeships (but 37 % has already done 3 or more) and the most common ways of finding a traineeship is by applying directly to organisations, searching on the internet, and making use of personal connections. With regards to the motivation for doing a traineeship, improving their CV and improving future job opportunities were the two most significant factors. Some also wanted to learn more about a particular organisation or field of work, or get first-hand experience of working life. A high number of trainees also cited a lack of available jobs as a motivation.

The quality of the traineeship is a core concern of the trainee, and takes precedence over other factors such as remuneration. Although three out of four respondents were not (51%) or insufficiently (24%) compensated and had to rely on parental support, savings, or other forms of external financial means, they seem more interested in the potential gains from the traineeship than its costs. An example is the traineeship satisfaction rates of the post-studies (open market) trainees, which did not differ from the average despite the fact that they more often received no or low pay. A 16% share of trainees managed to turn their traineeship into a job with their host organisation afterwards.

A 25% share of trainees report not having had a written traineeship agreement (which the Traineeship study identified as an important quality indicator). 54% of (ex)trainees were completely satisfied with the mentor's performance (excellent or good), and further 19% evaluated the mentor as satisfactory – meaning that every fourth trainee lacked a good mentor. The learning content of the traineeship was relevant to the studies/career interests for 56% of the trainees (excellent or good), and satisfactory for further 24%; however this was not the case for every fifth respondent.

4.2. Number and share of low quality traineeships

Estimating the number of low quality traineeships is not straightforward and subject to wide error margins. The traineeship study estimates that in France and Germany there are at least 1.5 million trainees each year. Estimates indicate that in Italy the number of trainees is of the order of half a million every year, while for the UK estimates indicate up to 280,000 open market traineeships plus up to 118,000 students in undergraduate courses mixing work experience with training. Assuming no substantial differences in the share of trainees in the

population across the EU (admittedly a strong assumption), this leads to an estimate of between 4 and 5 million trainees in the 27 Member States in a given year.¹³

Another way to formulate an estimate is by looking at the number of tertiary education students in the EU and use this as a basis for a projection on the basis of assumed activity rates. According to Eurostat, in 2010 there were 19.8 million students enrolled in tertiary education courses (ISCED levels 5 and 6) in the 27 Member States. Assuming that during the average studies of 4 years 80 % of the students will eventually participate in one or more traineeships of altogether 6 months on average, one arrives at 4 million trainees per year. One should add to this those upper secondary level (ISCED 3 and 4) students who may also do a traineeship, even if in smaller numbers. This confirms the estimate of 4 to 5 million trainees per year.

To estimate the number of low-quality traineeships, survey results from the European Youth Forum were used (“Interns Revealed: A Survey on internship quality in Europe, Brussels 2011”), which offers the advantages of a relatively large pool of respondents and of a Europe-wide coverage. An 18.0 % share of respondents indicated that the “mentor performance” was unsatisfactory or less than satisfactory, and a very similar share (18.2%) classed as unsatisfactory or less than satisfactory the relevance of work performance to the content of the studies; either share may be taken to represent a traineeship of insufficient quality. The share indicating a more negative response (i.e. not satisfactory) was respectively 8.2% and 6.5%. Applying the lower of the two shares to the estimated total number of traineeships (4 million) results in about 300 thousand low quality (i.e. non-satisfactory) traineeships per year, and about 500 thousand insufficient quality (less than satisfactory) traineeships. This value should be seen as an indicative estimate only, taking into account exclusively the learning content, not the issue of compensation. Under certain assumptions, the share of traineeships without satisfactory learning content can further be estimated at some 20% of all traineeships, and at about 50% of unpaid traineeships.

Table 4. Estimates of the number of traineeships and their characteristics

Total number of traineeships	4,500,000
Insufficient quality	520,000
Low quality	290,000
Average duration (months)	4

Assessing the costs of low quality traineeships is complicated, in the present crisis juncture, by the fact that trainees may not have a meaningful alternative in the short run, as job opportunities are scarce and there is stiff competition even for traineeship positions (the EYF

¹³ An alternative way of estimating the number of traineeships is the following: assuming that the number of traineeships as a percentage of the ISCED levels 5-6 student population is roughly constant, we extrapolate the ratios for three large member States (FR, DE, IT), for which estimates of the number of traineeships are available, to the entire EU student population. This yields a result of more than 6 million traineeships. This result confirms that 4.5 million is a prudent estimate.

survey indicates that 40% of post-study traineeships were accepted because no jobs were available). In such cases, the opportunity cost of a bad quality traineeship is reduced.

Low-quality traineeships are likely to affect more often trainees from a less privileged background

One particularly unwelcome aspect of low-quality traineeships is that they are likely to affect more often those from a less privileged background and may prevent their future access to high-productivity quality jobs in line with their skills and study results.

It is of course more difficult for the less well-off to support themselves during a low-paid or non-paid traineeship and the spread of jobs for which a traineeship constitute a de facto requirement reinforces this concern. However, the structural differences of the traineeship market from the regular employment market create a further barrier.

In search of a regular employment relationship, a candidate with a weaker training background will of course be at a disadvantage against stronger candidates, but has nevertheless still a chance to compete by reducing his or her wage requirements; the lower reservation wage would also increase the pool of possible alternative job offers. This is not possible in a traineeship market where often there is no compensation at all. Available positions will tend to be awarded simply to those having the best educational background, possibly also including earlier work experiences, or other characteristics of value to the recruiting organisation. Those with a weaker educational background thus risk having no way of overcoming initial disadvantages, whenever the number of positions is fewer than the number of candidates as is the case currently. In summary, those from a less wealthy background as well as those with weaker educational credentials will more often be victims of low-quality traineeships because they have less scope for selecting the host.

4.3. Problem drivers and trade-offs: The role of market failure

The analysis above shows that while the majority of traineeship positions on offer do provide adequate quality, a substantial share does not. An important question is what are the **key drivers** of this problem and whether it is due just to factors such as the current economic crisis or to special characteristics of the traineeship market that make it advisable to adopt specific measures.

Market failure plays a more important role in traineeships than in regular employment contracts because a much greater share of the benefits that the trainee obtains from the arrangement is not easily definable and quantifiable, and hence **asymmetric information** likely to be more important. One of the main benefits, the possibility to be hired, materialises even after the end of the traineeship (see Annex VI). Therefore, the trainee cannot effectively compare the quality of the various options with their respective costs, as is the case in any normal market transaction.

As for host organisations, at present there are few incentives for them to improve the quality of traineeship positions. First, owing to high demand for traineeships the host organisation is under little pressure to adopt any quality standard to attract candidates, and at any rate is normally under no legal obligation to do so. Second, the lack of generally accepted quality standards does not provide hosts with any guidance as to how to improve the quality if they wanted to.

Overall, the **main incentives for a company or other host organisation to provide good quality** are currently either their intention to hire trainees in the near future or their wish to maintain a good reputation as employers or, more generally, out of respect for Corporate Social Responsibility. Indeed, according to the EYF survey, those trainees that were later recruited by their host organisation were much more frequently sufficiently paid (67%) than the average rate of 25%; the same result is apparent from an analysis of the hiring behaviour of participants in a Quality Label initiative in Italy (see Box 6).

However, an organisation that does not intend to hire and does not assign a particular value to its reputation faces few other disincentives to limit the training content to the minimum and may just use traineeships as a source of cheap labour ('free-riding behaviour'). This set of incentives and disincentives explain why open market traineeships are significantly more affected by low quality than the other types of traineeships, where actors with a specific role in ensuring quality are present.

Box 6. Comparing high quality with average traineeships using data from a quality label experience

The Italian trainees' organisation Repubblica degli Stagisti has launched a voluntary scheme, "OK Stage" whereby host organisations commit to respect a quality charter formulated by the organisation. The traineeship conditions, published on the site of Repubblica degli Stagisti include commitments on fair treatment. Currently, 36 host organisations have adopted the charter. It is interesting to compare the traineeships conditions offered by these quality traineeships with the average for Italy.

- All these traineeships offer remuneration – a minimum of 200 euros per month for student traineeships and 500 euros for traineeships after university graduation. The average net compensation for university graduates amounts to 643 euros per month. In Italy, according to the Repubblica degli Stagisti traineeship organisation (RdS), only 47.6 % of traineeships were paid; note however that while the quality charter calls for compensation it did not specify its level.
- The average rate of hiring after completion of the traineeship was 55%, compared to an estimate of 12.3% for traineeships as a whole in Italy (RdS, 2010).

The much higher rate of hiring among participants confirms the link between quality and intention to hire on the part of the organisation.

Trainees also face a cost in changing companies and the duration of the traineeship is not very long anyway. As a result, they are often 'trapped' into completing a bad quality traineeship, in the hope that this will at any rate give them some kind of positive return (i.e. a mention on their CV) compared to nothing - or even a negative signal to potential future employers - if they quit the traineeship.

All these factors – asymmetric information; lack of general quality standards; lack of disincentives to firms to offer low quality traineeships; incentives to trainees to stay on such traineeships – are key problem drivers underlying current market failures as they create results in a long-term equilibrium in which the market is unable to screen out lower quality traineeships, which may remain on offer indefinitely and which may coexist with a majority of good quality offers (this mechanism is explained in more detail in Annex VI; see also Curiale (2010), Edwards, Hertel-Fernandez (2011)).

Quality and compensation

One element which should be reasonably clear and which could, in theory, help the market to screen out bad quality traineeship offers is compensation. Indeed quality and compensation are found to be positively correlated, and in addition low or unpaid traineeships are more likely to be of bad quality. Unfortunately however this does not solve the market failure on quality, as there can be good reasons for a high quality traineeship to be unpaid. In particular, a traineeship with high training cost (see Box 2 for some relevant examples) may be economically sustainable for the host organisation only at reduced or zero pay levels, given relatively low trainee productivity.

Compensation and labour market conditions

Low compensation is not only linked to the characteristics of the traineeships itself, but also to the structural characteristics of the labour market, in particular to the general level of labour demand, labour market regulation, the existence of labour market segmentation, and so forth.

High youth unemployment will tend to increase the number of candidates for each available traineeship position, while negative growth prospects will induce businesses to curtail hirings, one of the main motives for taking on trainees, but possibly also to increase traineeship offers as replacement for more costly regular employment. Abundance of candidates is likely to induce host organisations to offer unpaid instead of paid traineeships or to reduce compensation for new positions.

Compensation and legal status

If demand and supply for traineeship positions were in greater balance than is currently the case, some form of compensation would probably be generally be paid to trainees even in the absence of specific regulation. However, given the oversupply of trainee candidates, rules on minimum compensation come to play an important role.

In most countries, trainees are not considered employees, and, as such, their rights, terms and conditions, including remuneration are not tightly defined and regulated, at least as regards certain types of traineeships. In general, legal provisions for the trainee's terms and conditions in most countries are very fragmented and do not cover all types of traineeships in a consistent and coherent way. As shown in Table 1, most countries do not foresee, or may not enforce, minimum compensation.

There is no consensus on the issue of the appropriateness and level of trainee compensation. The main reason for not paying wages to trainees is probably linked to the idea that traineeships should be distinguished by employment contracts and be mainly about training. This line of reasoning has a long tradition and is embodied e.g. in the US regulatory approach. In addition, binding rules on minimum compensation are generally believed to have positive effects on equality but negative ones on employment levels.

Trade-offs

There is clearly a trade-off between ensuring availability of traineeship positions and imposing a minimum level of compensation. It is less clear, however, what would be the effects of increasing trainee compensation on the labour market as a whole. In a recent contribution, Dolton and Rosazza Bondibene (2012) found that the negative employment effects of minimum wages are particularly strong for young people. Widening the scope of

minimum compensations to traineeships could have similar effects, at least in countries where traineeships are not subject to minimum compensation. On the other hand, it could have positive effects on equity of access and income inequality. Businesses could face higher labour costs with some negative effect on profitability and competitiveness, while at the same time possibly benefitting from better skills matching and higher retention rates.

As for the other employees, theory suggests that the net effect will generally depend on the degree of substitutability between trainees and regular workers. If trainees and regular workers can easily substitute one for another, higher compensation for trainees would result in less traineeship positions and employment gains for regular workers. Conversely, if trainees and workers are, instead, complementary, demand for regular employees too should drop. Which of the two effects will dominate is an empirical question that it is difficult to answer at present. The impact is also going to depend on the degree of labour market segmentation.

4.4. Quality issues and transnational traineeships

Low quality is likely to affect the development of transnational traineeships even more seriously than domestic traineeships. This is because the problem of the lack of information about the quality of traineeships becomes more acute in an international setting:

- The differences in standards and the wide range of diversity in labour market and traineeship regulation across Member States make the situation in terms of quality standards even fuzzier than at home, and informal learning through contacts and networks about the quality of traineeships gets more difficult;
- Ignorance of local conditions by foreign trainees makes the awareness of rights more limited and complaining more difficult;
- Foreign trainees can screen companies with greater difficulty only;
- Foreign trainees may face higher costs in changing companies if not satisfied. Their investment in going abroad is bigger and the greater sunk costs incurred create a stronger incentive to complete a traineeship even if it is low quality.

Although a traineeship placement in a different country can contribute to the increase of the employability of a young person (similarly to the completion of studies abroad), still relatively few young people complete a transnational traineeship. The 2011 Eurobarometer shows that 53% of young people in Europe are willing or keen to work in another EU Member State. Young people are much more mobile than the labour force as a whole, as less than 3% of European workers are currently living outside their home country. Demand for international placements funded under the Lifelong Learning Programme (Erasmus and Leonardo da Vinci) systematically exceeds supply. Similarly, traineeship placements offered by the European Commission attract a large number of applicants partly due to the high level quality.

Study mobility is overwhelmingly more popular than company placements; within the Erasmus programme, it is undertaken on average by about 5 out of 6 beneficiaries. The duration of study mobility too is almost double that of placement mobility. This seems to be corroborated by results of a survey by Deloitte (Deloitte, 2012) on students and graduates in five Central European Member States (CZ, LT, LV, PL, SK) indicating that domestic job/traineeship experiences outnumber international ones by ten to one, even though young people from these Member States seem to be more mobile than in some other Member States.

Table 5. Share of transnational traineeships

Indicators	Quantification	Source(s)	Year	Country
Erasmus Programme				
Total number of Erasmus students	231 408	Erasmus Fact & Figures	2010/2011	EU wide
Total number of Erasmus work placements (traineeships)	40 913	Erasmus Fact & Figures	2010/2011	EU wide
Share of work placements in pool of participants to Erasmus programme	≈ 17% (1/6)	Erasmus Fact & Figures	2010/2011	EU wide
Leonardo Programme				
Leonardo mobility visits	≈ 78 000	Leonardo Fact & Figures	2010/2011	EU wide
Total number of transnational traineeships (Erasmus + Leonardo)	≈ 119 000	Leonardo Fact & Figures	2010/2011	EU wide
Total number of traineeships	4 500 000		2010/2011	EU wide
Share of transnational traineeships	2.60%		2010/2011	EU wide

The number of transnational traineeships may be estimated only very roughly given the lack of statistics on transnational open market traineeships. Assuming these to be 20-25% of Erasmus and Leonardo traineeships (see Table 5), the total number is probably in the range of 150,000, compared to 4.5 million, i.e. around 3%.

The contrast between the high interest for studying abroad, and the low share of transnational traineeships, suggests that institutional factors, such as lack of information, are holding back development of the market. If a young person does not know what he or she can expect in terms of conditions, learning content, social protection, remuneration etc. in a foreign placement, his/her willingness to participate will be limited. Organisations active on the international traineeship market (e.g. Europlacement) confirm that there is high student demand for international traineeships once a certain level of quality is guaranteed. It seems therefore likely that there is significant potential for growth (at least on the demand side) if the quality problem can be convincingly addressed.

Need to improve access to information on transnational traineeships documented by study

A study commissioned by DG EAC on conditions to promote transnational traineeships in Leonardo and Erasmus (European Commission, 2011b) indeed gives a strong recommendation to improve access to information on the legal and regulatory differences relevant to traineeships between Member States and to introduce more concrete requirements for the overall organisation of traineeships.

Besides direct EU support, other public and private transnational mobility schemes offer services to students as well as to young people not in education and training. A recent study on mobility developments in school education, vocational education and training, adult education and youth exchanges commissioned by the European Commission (European Commission, 2011a) identifies 1000 learning mobility schemes in Europe, in addition to the EU-funded Lifelong Learning sub-programmes for Comenius, Grundtvig and Leonardo da Vinci and the Youth in Action Programme. Furthermore the study shows that work placements are becoming an increasingly popular type of mobility activity, indicating that “employability” is seen as an important learning outcome. However, recognition and documentation of knowledge, skills and competences acquired by participating in transnational mobility is still undeveloped in many schemes. Common quality guidelines on traineeships would be strongly relevant to these programmes

Given persistent and sizeable skill mismatches in EU Member States, the lack of development of international traineeships seems to represent a lost opportunity to reduce structural unemployment. A traineeship could constitute a way for trainees to try international mobility without a large initial commitment, while businesses could use traineeships as a first step to develop international recruitment, useful especially in case of domestic skill shortages.

Finally, given the strong boost to language learning during a period of several months spent working in a foreign country, disincentives to intra-EU trainees’ mobility may have a persistent cost in terms of lost productivity. Research by Williams (2005) indicates that the use of a second language in the workplace raises earnings by about 5 to 10 per cent.

5. LEGAL BASIS AND SUBSIDIARITY

Legal basis

According to Article 153 TFEU, the Union shall support and complement Member States activities in the field of, *inter alia*, working conditions, social security and social protection of workers, and also the integration of persons excluded from the labour market and the combating of social exclusion.

Pursuant to Article 153 para. 2. b) TFEU, the European Parliament and the Council may adopt Directives in the field of employment and social policy.

Alternatively, according to Article 292 TFEU, the Council can adopt recommendations on the basis of a Commission proposal. Occupational Safety and Health legislation considers trainees and apprentices as covered by the scope of the Directives based on framework Directive of 1989, whose basis is Art 153 TFEU.

However, it should be noted that the provisions of Article 153 TFEU do not apply to pay (Article 153 para. 5 TFEU). Hence, the problems relating to the low level of trainee compensation will have to be dealt with at another level, notably by Member States and social partners.

Mobility in education and training not only forms a central objective in the EU's educational policy but is also an integral part in of the freedom of movement of persons under Article 45 TFEU – a fundamental freedom protected by the Treaty. Given the transnational dimension of traineeships, actions of individual Member States alone will not achieve the objectives of the

proposed initiative - to comprehensively improve the quality of traineeships undertaken in the EU.

The Charter of Fundamental Rights of the European Union also contains a number of rights and freedoms which may be relevant to measures that may be decided concerning traineeships, in particular its Article 21 (Non-discrimination), Article 29 (Right of access to placement services), Article 31 (Fair and just working conditions) and Article 32 (Prohibition of child labour and protection of young people at work).

Subsidiarity

Generally, great diversity of situations among Member States, or very different societal preferences are arguments in favour of decentralised solutions, as they can be tailored to national or even local needs and preferences.

However, in the case of traineeships, the difference of labour market institutions does not seem to play a major role, as the nature of the complaints and concerns put forward is very similar everywhere, and quality problems in traineeships are frequent even in the Member States where the labour market situation of young people is more favourable. The Traineeship study found that only in five Member States there was no presence of questionable employer practices with regard to traineeships¹⁴.

Another criterion commonly used to assess whether an EU-wide solution is preferable is whether a standardised solution offers operational advantages or cost savings. In this regard, it does appear that an EU-wide solution presents several advantages.

- First, the quality guidelines adopted or proposed so far generally look very similar (see box 7 and Annex IV), irrespective of the organisation drafting them. Differences reflect mainly remuneration - which is sometimes covered and other times not, depending also on the national regulation on this point – and the presence of individual binding elements, such as limitations of successive traineeships which are usually absent from voluntary charters. This suggests that there is no great need of adaptation of quality standards to local conditions.
- Second, an EU wide-solution would have clear benefits in terms of intra-EU mobility of trainees. Young people would find it easier to accept a traineeship in another country if standard or harmonised rules gave them a clear knowledge of what they can expect in another country. Greater trainee mobility would contribute to achieving a more integrated EU labour market through better matching and sustainable job creation.
- Third, experience shows that, owing to coordination problems, the definition of internationally accepted quality standards can be faster if supranational institutions adopt a coordinating and supporting role. The EU is best placed for this, as there seems to be little or no movement towards spontaneous development of international quality standards.

Through an initiative in this sense, the EU could concretely support Member States in implementing the EU 2020 employment guideline nr 8, in particular ‘enacting schemes to help recent graduates find initial employment or further education and training opportunities, including apprenticeships, and intervene rapidly when young people become unemployed.’ Providing guidance to the Member States that is operational and can be readily implemented at national level appears all the more useful given the acuteness of the crisis and a track record

¹⁴ See Traineeship study, p. 94.

of delays in addressing the problems of traineeships. It is also fully in line with the spirit of the European Semester.

The Commission invited already in 2007 "*Member States to promote internships with a strong link to training or study curriculum and to define adequate frames for doing so*"¹⁵. More broadly, the Commission has frequently called for better work-to-school transitions, which implicitly includes action on traineeships, as this has long been recognised as a priority area. Also the resolution and conclusions of the 101st ILO Session on the International Labour Conference have called for "*regulating and monitoring apprenticeship, internship and other work-experience schemes, including through certification, to ensure they allow for a real learning experience and not replace regular workers*" (ILO 2012). Despite these calls however action from Member States has been patchy and the regulatory framework generally remains fragmented and unsatisfactory (see Table 1).

The traditional European employment strategy approach could be used to induce Member States to reform traineeship regimes, but would lead to greater differentiation in the resulting framework than instruments such as recommendations or legislation determining the content of traineeship regimes. This would be suboptimal particularly in terms of the need to address existing barriers to trainee mobility.

Finally, a standardised EU solution seems to be a logical pre-condition for extending EURES to apprenticeships and traineeships, as requested by the European Council conclusions of 28/29 June 2012¹⁶. This is due to the need to prevent the risk that without ensuring standard quality requirements for traineeships advertised within EURES, support through EURES is provided to low quality traineeships that will not help smooth education to work transitions.

6. POLICY OBJECTIVES

The general objectives of an initiative in this domain are:

(1) To facilitate education-to-work transitions

High quality traineeships contribute to increasing the employability of young people. Traineeships as a form of labour market entry for graduates should be stepping stones in the progression to a regular employment, ensure a rapid increase in workers' productivity and help reduce precarious employment. The objective should therefore be increasing the number of good quality traineeships and reducing the extent of low-quality instances and abuse.

(2) To promote mobility in order to reduce mismatches in the European labour market

To reduce structural unemployment, the promotion of learners' and of workers' geographic mobility within the EU should be stepped up, given the existence of marked skill and demand/supply mismatches in the labour market. A development of transnational traineeships is a key tool in this respect. Prospective trainees who consider undertaking their training in another EU Member State should have a clear reference to check quality criteria and not be discouraged by uncertainty about administrative formalities; legal concerns, or contractual obligations.

¹⁵ Communication COM(2007)498. Also COM(2009)257 referred generally to the need for traineeship places: "Companies should also continue to offer traineeship places to develop the employability of students

¹⁶ www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131388.pdf

In order to meet these general objectives, the following specific objective has been identified:

- To improve the quality of traineeships in the EU.

The operational objectives would be

(1) To encourage host organisations to offer traineeships providing good quality learning content, decent working conditions and which are a good stepping stone for entering the labour market.

(2) To increase the transparency and quality of information on traineeship positions.

7. POLICY COHERENCE – CONTRIBUTION TO EUROPE 2020

An initiative on a quality framework for traineeships is closely related to, and usefully complements, several other European initiatives. Facilitating education to work transitions, as well as promoting mobility, is high on the Europe 2020 agenda. In 2010 the Europe 2020 flagship initiative 'Youth on the Move' announced that the Commission would propose a quality framework for traineeships including the transnational dimension, the role of the social partners and corporate social responsibility aspects.

In light of the further deterioration of youth access to the labour market, the Commission launched the 'Youth Opportunities Initiative' in December 2011. One of the main actions of the initiative consists in the Commission's support for Member States to use the European Social Fund more efficiently, among others for supporting traineeship places, as is already the case in some countries. In addition, Commission support to high quality traineeships under the Erasmus and Leonardo da Vinci programmes will be increased in the remaining programme period, and a further budget increase will be proposed in the "Erasmus for All" programme starting in 2014. The Youth Opportunities Initiative also confirms earlier commitments to present a quality framework for traineeships in 2012.

Skills are a core asset for economic growth, as is good quality education and training systems that facilitate young people's transition from school to work. In this context, 16 Member States have this year received a Country Specific Recommendation on "enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems, VET". A very frequent recommendation is to increase the availability of work-based learning, whether apprenticeships or work placements in companies. Guiding criteria for quality traineeships appear particularly useful for countries where the education and training authorities have little experience or tradition of working in partnership with businesses.

Action on improving traineeship quality is also related to the debate around the recognition of qualifications, and in particular the recognition in the home Member State of a traineeship accomplished abroad. This is of particular importance for the regulated professions but might concern other professions as well. For traineeships in the regulated professions, the legislative proposal amending Directive 2005/36/EC foresees the introduction of a compulsory recognition mechanism.

Political attention to traineeships is maintained in the 2012 Employment Package and is also on the agenda of international organisations, notably the ILO.

Developing a quality framework for traineeships also contributes to the Commission's endeavour to lift obstacles to the full enjoyment by citizens of their EU rights, and notably their right to free movement.

8. POSSIBLE AVENUES FOR EU ACTION

Situations in which markets fail at ensuring minimum quality levels are not uncommon. They are usually addressed either by a regulation imposing minimum standards (regulatory approach, sometimes replaced by self-regulation), or by measures to increase the transparency of the market.

The analysis in section 4 provides a few pointers for actions that could improve the situation by tackling the causes of the problems. Not all possible actions are suitable for action at EU level, in light of legal or operational considerations. Table 6 illustrates some possibilities.

Table 6. Problems, problem drivers and possible levels of action

Problem	Problem driver	Different levels of EU action
High share of low-quality traineeships	Lack of information for trainees on existing rights and quality standards	Set up information website(s)
	Lack of general quality standards hinders adoption of good practices by host organisations	Encourage voluntary adoption of engagements on quality ('quality label')
	Lack of transparency on the quality of the individual traineeship offered and lack of effective disincentives to free-riding	Introduce a set of quality guidelines Introduce binding legislation (e.g. on quality standards, banning unpaid or repeated traineeships etc.)

Possible policy response at EU level

Given the link between low quality, market failure and lack of transparency, one policy response should aim at increasing transparency at all stages. This could mean in practice:

- Clarifying the existing legal framework on traineeships: the Traineeship study has shown that the legal framework on traineeships is fragmented and complicated, leading to a lack of certainty on the legal rights and obligations of trainees and host organisations. This could be done through an effort at providing better quality information through appropriate tools;
- Simplifying the legal framework through appropriate regulatory reforms. A good starting point could be the provision of guidelines from best practice;

- Introducing mechanisms for feedback on the experience from individual traineeships, e.g. through appropriate websites;
- Providing minimum requirements on the learning content and/or on traineeship conditions, either through regulation or via soft law.

Actions could be taken, depending on the types of traineeships, at different levels, involving different actors and different tools. The EU could:

- improve the transparency of traineeship regulation through more accessible information;
- encourage voluntary action by stakeholders (host organisations, social partners etc.) to enhance the quality of traineeships, for instance through the establishment of quality labels;
- launch actions under the European employment strategy to encourage Member States to improve the quality of traineeships;
- introduce non-binding instruments (recommendations or guidelines); or
- introduce binding legislation.

Possible scope of application

Regulatory theory suggests that market failure in delivering quality can generally be tackled in two ways, either by enhancing the quality and availability of information on the market, or by imposing quality standards. Either approach could enhance the effectiveness of traineeships in ensuring good transitions from education to work. In the following, a number of measures based on the first or the second approach are explored.

Open-market traineeships seem to represent an obvious candidate for initiatives given that they represent the most problematic segment, but alternatives exist: the scope of the measures could be either widened or restricted to apply to cross-border traineeships only, or to traineeships with a duration above three months (on the grounds that these are those for which the expectations by trainees of a significant learning content are highest, as would be the costs for low quality). Another issue is whether sectoral specificities would warrant tailoring or limiting measures to certain industries (see Annex V for an overview of the sectoral spread of traineeships).

The social partners may wish to consider one or more of the below measures, requiring different levels of engagement of EU institutions. The contents of these areas may be adapted in various ways. A first rough assessment of the impact / effectiveness of each option is also provided (a more detailed assessment of impacts will be carried out following the results of this consultation, in case the Commission decides to present a proposal).

8.1. No initiative at EU level (baseline scenario)

Description: There is no sign that the quality concerns discussed above would decrease in the future. As mentioned in Section 4 and in Annex VI, economic incentives are such that an equilibrium around the current share of low quality traineeships is likely to be sustained in the absence of policy action.

Furthermore, the prolonged economic crisis may lead to a further deterioration in traineeship quality. As outlined in Annex VI, one of the main reasons for offering a high-quality traineeship consists of search for new talent in view of hirings. Job creation however is being affected by the crisis. As fewer firms are interested in hiring, it seems likely that the share of

good quality traineeships will decline in the immediate future. Furthermore, it may be speculated that increasing cost-cutting pressure could also tend to boost the number of low-quality traineeships, in some cases also at the expense of regular employment.

Certain Member States might introduce regulation, possibly on the lines of the French *Cherpion* law, and social partners might adopt quality charters at national or sectoral level; these however would not be coordinated and therefore would retain the fragmented nature of the current landscape, with its negative effects on trainee mobility. The Commission will continue to pursue the objective of improving mobility and labour market transitions of young people in particular from education to employment, in the wider framework of the Europe 2020 strategy and as a follow-up of the 2012 Employment Package, but without any specific instrument/tool focusing on traineeships. The Traineeship study provides a first overview of the traineeship arrangements in the Member States and lays a basis for more transparency of arrangements.

Finally, another possibility is that given increasing public concern about trainee exploitation, there might be a greater trend towards adoption of voluntary quality charters by host organisations. This is however unlikely to change the situation perceptibly, for two reasons. First, adoption rates for existing voluntary charters are very low, amounting to a few dozen only for initiatives launched in Italy and in the UK. Second, and more cogently, those firms that are likely to adopt the charters are likely to be those that are already now offering a high quality traineeship; the providers of low-quality traineeships are unlikely to be swayed significantly.

Looking at developments on the ground, there seems to be limited movement towards spontaneous development of global or EU-wide quality standards. While it is possible that there are further national or international initiatives in order to enhance the quality of traineeships, the overall share of low quality traineeships could be expected to remain roughly constant or even increase: the crisis may lead businesses to scale back new hirings, which are one of the main reasons for offering high-quality traineeships, and labour market entrants may have revised downwards their expectations.

8.2. Creation of an information website

Description: Setting up a website with a traineeship panorama (based on the Traineeship study - e.g. within the EURES portal, or by the social partners), containing regularly updated information on traineeship conditions and the legal framework in each Member State, would constitute a non-regulatory approach to increase the availability of general information about traineeships. As a bolder option, the website could also allow trainees to give feedback on their individual traineeship experience with a host organisation, transforming the nature of the information from purely general to specific. However the cost and legal implications of this possible facility should be carefully considered.

Pros: A properly designed, user-friendly website would allow a better spread of – and in particular easier access to – general information on national legislation of traineeships, on the availability of different types of traineeships in Member States. This would reduce search costs for trainees, could improve matching and could also have a positive effect on increasing the availability of candidates for transnational traineeships. Over time, greater availability of candidates could stimulate also an increase in interest by businesses, particularly those facing, for whatever reason, difficulty in attracting domestic applicants for certain vacancies.

An information website could be implemented at a limited cost (i.e. establishment and management/regular update of the information present on the website). While there is no compliance cost for Member States or host organisations, there would be some budgetary implications for the organisation running the website (possibly the European Commission). Procedures for making sure that the information is always up-to-date would have to be established.

In its basic formulation, this tool addresses part of the lack of information problem, i.e. the lack of general information on standards, but does not provide information on the quality of specific traineeship positions on offer. Hence, the impact of this option on traineeship quality is useful but modest, being limited to greater awareness of rights and average traineeship conditions. It could have a stronger effect on stimulating transnational traineeships.

Implementing the option of allowing trainees to assess or rate their traineeship experience would instead create a fairly strong incentive for host organisations to improve the quality of their traineeship offer, as their reputation would benefit from being shown to offer high quality traineeship conditions. Provision of low quality traineeships would be strongly discouraged, first by making the reputational loss for host organisations concrete and secondly because it would be harder to find applicants.

Cons: On the other hand, this option appears difficult to implement from a legal viewpoint, particularly at EU level. Appropriate safeguards (such as moderation, rules on leaving feedback, checks to prevent individual users to have a disproportionate effect on ratings, etc.) should be found to prevent the risk of penalising host organisations from inappropriate feedback. This option may also discourage host organisations that are uncertain about the quality of (some of) their traineeships to supply traineeships at all, possibly even high quality ones, out of fear of receiving negative ratings.

Table 7. Foreseeable impact of the creation of an information website

Voluntary (V) / Soft law (SL) / Regulator solution (R)	Potential Impact on quality of traineeship	Impact on demand for traineeship positions (D – domestic – CB – cross-border)	Impact on compliance costs for businesses = impact on supply of traineeship positions	Impact on compliance costs for SMEs	Flexible solution
na	0	D: 0 CB: +	0	0	Yes

Key:

0 : zero or negligible impact

(+) / (-) : slight positive (negative) but uncertain impact

+ / - : possible positive/ negative impact

++ / -- : likely positive/ negative impact

+++ / --- : very likely positive/ negative impact

8.3. Quality label for traineeships

Description: A set of quality principles for traineeships could be elaborated in cooperation with social partners, specifying minimum quality guidelines for the format and learning content of the traineeship (see box 7). Companies, educational institutions, employment services and/or other relevant actors could voluntarily commit to respect the guidelines for trainees (e.g. in the form of a voluntary code of conduct), and, in exchange for that, publicise themselves as ‘fair to trainees’ or similar. In order to provide a reputational benefit for participating businesses/host organisations, the label should be advertised and managed directly by an adequate private or public body or stakeholder group giving some guarantee of independence and impartiality. The quality label for traineeships could also include a commitment by the host organisation on providing remuneration and social security treatment. Furthermore, it is possible to launch a quality label specifically in sectors where there are more concerns related to open market traineeships (e.g. tourism, journalism, politics/public affairs, creative industries, management consulting, etc.).

Compliance would not be monitored systematically, but ways would need to be found, either at EU or at individual Member State level, to handle complaints by trainees about companies not following the code/guidelines. To achieve minimal compliance costs, the quality label could be attributed to all organisations that would commit to it without advance inspection or screening. A certain number of duly justified complaints could lead to the withdrawal of the label. Such light organisation would allow the label to be managed by the companies concerned, or by a small external office. The ‘quality label’ approach has been followed most intensively in the UK, though with low take-up rates so far (see Annex IV for additional details about the UK schemes).

Pros: Overall, this non-regulatory approach has the merit of encouraging and guiding host organisations by providing a reference for quality standards while its voluntary nature ensures that it is bearable for host organisations. It goes some way into providing a positive incentive for adoption, given that one of the motives for organisations to offer traineeships is improving their reputation, which could be enhanced by a quality label. This option might also stimulate cross-border traineeships. Its main weakness is that it would presumably have limited or no disincentive effect for low-quality traineeships, as low quality providers would simply not apply for the label.

The voluntary nature of the commitment seems to make sure that the compliance burden for businesses would be acceptable. Compliance costs would depend on how the quality label would be managed and handling of complaints organised. The administrative costs related to signing traineeships agreements, defining precisely roles within the organisation etc. would rapidly decline over time as the main effort is made once, at the initial set-up. Including in the voluntary charter commitments on pay would address a typical complaint, but would also affect the compliance cost and possibly take-up.

Cons: However, there is a risk that few organisations bother to apply for the label, particularly as at present demand for traineeships outstrips supply. Furthermore, many of those that apply probably will be those that offer high quality traineeships already. Hence the option appears useful but of limited impact. The impact on replacement risk would be close to zero as few low-quality hosts are likely to apply.

Table 8. Foreseeable impact of a quality label for traineeships

Measure / Action	Voluntary (V) / Soft law (SL) / Regulatory solution (R)	Potential Impact on quality of traineeship	Impact on demand for traineeships positions (D – domestic – CB – cross-border)	Impact on compliance costs for businesses = impact on supply of traineeship positions	Impact on compliance costs for SMEs	Flexible solution
Quality label	V/SL	0/+	D: + CB: ++	0	0	Fairly
Quality label + remuneration	V/SL	0/+	D: + CB: +++/++++	0/(-)	0(-)	Fairly

Key:

0 : zero or negligible impact

(+) / (-) : slight positive (negative) but highly uncertain impact

+ / - : possible positive/ negative impact

++ / -- : likely positive/ negative impact

+++ / --- : very likely positive/ negative impact

8.4. European Quality Framework for Traineeships

Description: This measure would consist in a social partner agreement or a Commission proposal (for a Directive or for a Recommendation) on quality elements, to be transposed by Member States in national practice and/or the national legal system. The quality framework could include inter alia the elements listed in Box 7. The legal basis would be either Article 153 2(b) or Article 292 TFEU.

Box 7. Key quality elements identified in the Traineeship study

A good quality traineeship should enable the trainee to acquire practical skills geared to the labour market needs and complementary to the trainee's theoretical studies in order to enhance the trainee's employability. The Study has identified a number of principles that characterise a good quality traineeship. Starting point for the formulation of the 'quality label' is the presence of a mandatory traineeship agreement. A good quality traineeship should be based on an agreement between the trainee and the host organisation (i.e. company, public agency etc.).

The traineeship agreement should cover the following elements (identified by the study as most important):

- **Objectives, content and monitoring:** Traineeships should enable the trainee to acquire practical skills complementary to his or her theoretical studies. The guidelines require that educational content is ensured by assigning a personal supervisor or mentor at the host organisation to each trainee. The supervisor guides the trainee through the assigned tasks, monitors progress, and explains general work processes and techniques. The supervisor also has to provide an evaluation of the trainee's performance in the form of a short final evaluation (1 to 2 pages), which may take the form of a letter of reference.
- **Duration:** Open-market traineeships should typically not be longer than 6 months. Mandatory post-graduation professional training of doctors, lawyers, teachers and the like, which exist in most Member States, are exempted as these traineeships tend to be highly regulated. A similar category in this respect are the in-company so-called "traineeship programmes" for recruitment at higher levels of management in order to prepare the trainees for a high level career in the enterprise.
- **Remuneration/cost compensation:** If there is a mutual benefit for both the host organisation and the trainee in terms of knowledge transfer and learning, unpaid traineeships may be appropriate. Hence the quality guideline should only stipulate that the written stage agreement clearly specifies what, if any, compensation and remuneration is offered (noting the role that remuneration / cost compensation may have for access to quality traineeships, and hence labour market chances of (young) people from disadvantaged backgrounds).
- **Social security provisions:** The social insurance provisions need to be clarified between the trainee and the employer. This includes health insurance and insurance against accidents at the workplace. In most Member States, students are provided with social insurance by the state or their educational institution. Therefore, they are insured against health risks and accidents while undertaking traineeships during their studies. If the trainee is not a student anymore but the traineeship is covered by an employment contract, employer and employee need to fulfill insurance obligations as stipulated by labour law in the respective country. Alternatively, the contractual arrangement could foresee insurance schemes to be paid by the host organisation or the trainee.

Pros: The strength of this approach is that the quality framework would be the same framework in all (adopting) Member States. This would therefore address the negative impact of the diversity of regulations on the development of international mobility. A framework in form of a Directive would be legally enforceable and would ensure that the rights of trainees are effectively protected.

The content of the quality framework can be drawn upon using the Traineeship study. The elements identified in the study could be complemented with a limitation of successive traineeships, and/or with a requirement to register traineeships. Similar measures have been adopted in certain Member States (e.g. France). Limiting the repetition of traineeships by the same person in the same organisation, or, more boldly, prescribing that host organisations need, over the medium term, to hire a certain (limited) percentage of the trainees it engages¹⁷ would address the problem of young people having to do several traineeships before finding regular employment¹⁸. Instruments similar to a quality framework already exist within the EU – for example in Italy and the UK. Given that a code would be voluntary, the compliance burden of such a measure seems acceptable. Although these principles seem to have general validity, they should be adapted to the type of occupation/sector and reflect the size of the host organization.

A Commission proposal for a quality framework for traineeships is an option with a wide coverage and high direct visibility. It would engage the national level in subscribing to the quality principles – either legally binding in form of a Directive or in form of non-binding recommendations. The actors on the ground will understand that the quality framework is the reference benchmark for assessing the quality of each individual traineeship. A common traineeship quality framework also provides guidance to Member States, Social Partners and training institutions for setting up or revising their provisions on traineeships, and to promote transnational mobility in traineeships. In addition, a common quality framework for traineeships could include a partnership approach among employers, public employment services, other public authorities and educational and training institutions to better exploit synergies, reduce costs, share best practices etc.

Overall, a reasonable improvement on the quality and transparency of traineeships could be expected in the medium term from a quality framework endorsed at European and national level. A limitation of successive traineeships, if properly implemented, could be effective in limiting replacement risk. Furthermore, the compulsory registration of traineeships would allow having better statistics about traineeships.

Cons: Regarding the impact on the availability of traineeship places, this option would include a certain risk, as inherent in all regulatory solution, that some employers will refrain in the future from providing traineeship places, most likely because they realise that the traineeship places they offered so far were not of good quality. They might consider that certain elements of the quality framework (in particular ensuring mentorship) would result in a too high cost for the traineeships. This potential negative impact – given the manageable implementation costs – however appears limited, and in any case may be offset by an increase of good quality traineeships (as clear conditions on what is expected in terms of traineeship quality may encourage employers to improve their offer). Most of the costs of this option would have to be borne by host organisations.

¹⁷ The rationale for this being that, normally, the offer of high quality traineeships is linked at least partly with the intention to hire some trainees in the future, whereas exploitative situations are characterised by a repetition of traineeships under the guise of future hopes of employment which never materialise.

¹⁸ In parallel, an obligation to sign an agreement with the trainee and register it with the labour office or a similar authority might be considered. Given the enforcement difficulties identified by the literature, registration might allow monitoring adherence to the rules and ensure respect of social security coverage and similar provisions. It might also help improve the data situation on traineeships. Such a measure could be introduced either by agreements between social partners or through legislation.

Compliance costs would mainly be related to ensuring a proper learning content. Host organisations that already provide learning content would merely need to give it the appropriate level of formality by listing learning objectives and some other key characteristics of the traineeship on paper. Setting up a traineeship agreement should not require more than a few hours and the work done could largely be recycled for future trainees. Furthermore, most organisations offering high quality traineeships already now include such elements in their business practice. While compliance costs may affect SMEs to a greater degree, the UEAPME response to the Commission's public consultation – in line with the priorities identified in the 2012-2014 work programme of the European social partners - stated that a traineeship agreement, agreed learning objectives, the recognition of the traineeship and a limited length of the internship are useful elements, and can be agreed also by small businesses. Hence the risk of reduction of traineeships offered can be considerably limited given the limited additional workload for compliant businesses.

An important question, however, remains the effectiveness of the impact on bad quality traineeships as regulatory solutions may work least in Member States with weaker enforcement mechanisms, which may be exactly those where there is most need. The quality framework for traineeships is a proportionate EU level action that can contribute to achieving the intended objective, especially if not in the form of binding legislation.

Table 9. Foreseeable impact of a European Quality Framework for traineeships

Measure / Action	Voluntary (V) / Soft law (SL) / Regulatory solution (R)	Potential Impact on quality of traineeship	Impact on demand for traineeships positions (D – domestic – CB – cross-border)	Impact on compliance costs for businesses = impact on supply of traineeship positions	Impact on compliance costs for SMEs	Flexible solution
4 Quality framework for traineeships (QFT),	(R)	++/+++	D: ++ CB: ++/+++	0/(-)	-/--	Fairly
4b QFT for long, cross-border traineeships	(R)	+ / ++	D: + CB: ++/+++	0/(-)	-/--	Fairly

Key:

0 : zero or negligible impact

(+) / (-) : slight positive (negative) but uncertain impact

+ / - : possible positive/ negative impact

++ / -- : likely positive/ negative impact

+++ / --- : very likely positive/ negative impact

8.5. Combination of options

The above presented measures and elements of EU action could be combined together.

8.6. Final overview

The following table summarises the avenues for action presented above in terms of possible impacts and compliance costs.

Table 10. Overview of impact

Measure / Action	Voluntary (V)/Soft law (SL)/Regulatory solution ®	Potential Impact on quality of traineeship	Impact on demand for traineeships positions (D – domestic – CB – cross-border)	Impact on compliance costs for businesses = impact on supply of traineeship positions	Impact on compliance costs for SMEs	Flexible solution
Information website for trainees	na	0	D: 0 CB: +	0	0	Yes
Quality label	V/SL	0/+	D: + CB: ++	0	0	Fairly
Quality label + remuneration	V/SL	0/+	D: + CB: ++/+++	0/(-)	0(-)	Fairly
Quality framework for traineeships (QFT),	(R)	++/+++	D: ++ CB: ++/+++	0/(-)	-/--	Fairly
QFT for long, crossborder traineeships	(R)	+/>++	D: ++ CB: ++/+++	0/(-)	-/--	Fairly

Key:

0 : zero or negligible impact

(+) / (-) :slight positive (negative) but uncertain impact

+ / - : possible positive/ negative impact

++ / -- : likely positive/ negative impact

+++ / --- : very likely positive/ negative impact

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10. ANNEXES

10.1. Annex I – Apprenticeships vs. Traineeships

	Apprenticeship	Traineeship
Scope	Full qualifying professional or vocational education & training profile	Complementing educational programme or individual CV
Goal	Professional profile/qualification	Documented practical experience
Educational level	Usually EQF level 3-5	Traineeships can be found as part of programmes on all EQF levels -common forms in (pre-) vocational education, in higher education and after graduation (sometimes compulsory)
Content	Acquisition of the full set of knowledge, skills & competences (KSC) of an occupation	Vocational &/or work/career orientation, acquisition of parts of competences, knowledge and skills of an occupation or a profession
On-the-job learning	Equally important to coursework	Usually complementing coursework or optional extra
Time frame	Determined, middle-to-long-term	Varying, short-term to middle-term
Length	Usually up to four years	Usually less than one year
Employment status	Employee status	Usually student or other trainee status; sometimes volunteer status or not clearly defined status
	Contracted/employed apprentice	Student/trainee often based on an agreement with employer or school
Compensation	Remunerated – amount collectively negotiated or set by law	Varying remuneration, often unpaid
	Apprenticeship allowance which takes into account net costs and benefits for the individual and the employer	Unregulated financial compensation
Governance	Strongly regulated, often on a tripartite basis	Unregulated or partly regulated
Actors	Often social partners, training providers	Individuals, companies, state, educational institutions

10.2. Annex II – Traineeship study, Executive summary

Introduction

The main objective of this study was to provide an overview of traineeship arrangements in all 27 Member States and to collect the most up-to-date information about different forms of traineeships across the EU. Traineeships are seen as an effective mechanism which allows young people to familiarise themselves with the world of work, thus facilitating their transition from education (or a period of inactivity or unemployment) to employment.

However, there are also growing concerns across the EU about the quality and fairness of traineeships as well as their effectiveness as a school-to-work transition mechanism.

The availability and quality of information on traineeships is rather uneven across the EU.

This study is a response to the need for a comprehensive EU-wide robust traineeship-related evidence base. It was conducted by a consortium involving the Institute of Employment Studies (IES, UK) as the lead co-ordinator, the Istituto per la Ricerca Sociale (IRS, Italy) and the Bundesinstitut für Berufsbildung (BIBB, Germany) as key partners as well as a network of regional and national experts.

The study's methodological approach combined a range of qualitative methodologies which included stakeholder interviews at both EU and national levels; a quasi-systematic literature review; a comparative mapping exercise based on information collected in each Member State; and case studies. For the purposes of this study the following five types of traineeships were examined:

- **Traineeships which form optional or compulsory part of academic** and/or vocational curricula (i.e. traineeships during education);
- **Traineeships in the open market** which, after completion of studies, provide graduates with work-related experience before they find stable employment;
- **Traineeships as part of active labour market policies (ALMPs)** for unemployed young people with the explicit aim to facilitate their labour market transition;
- **Traineeships which form part of mandatory professional training**, e.g. law, medicine, teaching, architecture, accounting, etc.; and
- Transnational traineeships.

Key Findings of the Study

This section presents a summary of the study's key findings and recommendations.

Increased Policy Focus on Traineeships as Mechanisms which facilitate Young People's Labour Market Entry

The dramatic rise in youth unemployment and employment precariousness combined with considerable skill mismatches have prompted Governments across the EU to **increasingly focus on traineeships** as effective school-to-work transition mechanisms. As a result, traineeships are increasingly integrated into ALMPs and/or form an integral part of educational courses. In view of the proliferation of traineeships undertaken by young people in the open market, Member States have also sought to raise the quantity and quality of such traineeships through either well-structured programmes and/or regulations or voluntary quality charters aimed at providing some protection to trainees.

Funding of Traineeships

Across Member States the most common methods of financing the various types of traineeships include European and national/regional funds; institutional assistance, e.g.

university grants; personal financing; and company resources. Where public funding is available, this often involves considerable support from European funds, notably the European Social Fund (ESF). Personal financing is particularly common in open market traineeships where, in many cases, trainees receive no or insufficient compensation. As a result, they have to rely on other funding sources such as own savings and family support.

Lack of a Common Definition of Traineeships

There is a great discrepancy across all Europe in the extent to which traineeships and/or trainees are clearly defined. In relation to the **definition of traineeships**, in most Member States there is either a legal definition or, at least, a common national understanding of the concept of a traineeship. In general, in almost all countries where a common definition of traineeship exists, there is a strong link between education and work experience. Across Member States the **common defining characteristics of legal frameworks relating to traineeships** are: (i) the general educational purpose; (ii) the practical element of learning; and (iii) the temporary character of the traineeship.

Plurality of Regulatory Frameworks for Traineeships

Across Europe there is a plurality and variety of legislation and regulations governing traineeships. This legislative/regulatory diversity exists not only between Member States, but also between the different types of traineeships themselves. This, in turn, reflects the fact that the concept of traineeship itself is very diverse. Traineeships related to education/training and ALMPs tend to be the most regulated, while open market traineeships are subject to much less regulation.

Traineeship-related legislation can be found in laws and regulations associated with either education and training policies or employment policies, including ALMPs. It usually seeks to define and regulate traineeships, the trainee status and associated terms and conditions. Some Member States seek to regulate directly traineeships-related issues (e.g. by Laws which explicitly apply to traineeships). Traineeships which form part of academic study curricula are typically regulated, organised and overseen independently and autonomously by the educational institution itself.

It should be noted that **legislative and regulatory frameworks do not necessarily guarantee the quality of traineeships**. Rather, **it is the implementation of regulations and the robust monitoring of the entire process which play a key role in ensuring quality traineeships**. There is particular concern about the inadequacy of regulations for traineeships in the open market.

Great Diversity of Traineeships

Between and within Member States the study identified a wide range of traineeships:

- **Traineeships linked to educational programmes:** Across the EU it has become increasingly common for traineeships to be integrated into curriculum requirements for both higher vocational and academic education qualifications. Although traineeships have been more common in upper secondary and higher vocational education and training, they are now becoming an integral part of academic curricula in most Member States. The proportion of students undertaking traineeships or work placements as part of higher education studies varies widely across Member States, from 87 per cent in the Netherlands to 22 per cent in Italy.¹⁹

¹⁹ Brennan, J. Patel, K., and Tang, W., (2009). Diversity in the Student Learning Experience and Time devoted to Study: A Comparative Analysis of the UK and European Evidence, Report to HEFCE by the Centre for Higher Education Research and Information, The Open University, April

- **Traineeships in the open market:** In recent years there has been an expansion of traineeships which young people undertake after graduation, not least because employers increasingly put a premium on them having acquired work experience through such placements. These traineeships have attracted most criticism since they tend to be unregulated and associated with reports of questionable employer practices including low quality, poor terms and conditions, including low or no pay, etc.
- **Traineeships linked to ALMPs:** These are aimed at unemployed young people, typically with no or a low level of skills. However, in recent years, especially since the Great Recession, traineeship programmes have expanded to include work placements offered to graduates with the aim of facilitating their labour market transition.
- **Traineeships as part of mandatory professional training:** Across Member States there are certain professions where there is a legal requirement to undertake a compulsory traineeship as part of mandatory professional training, e.g. medicine, law, education/teaching, architecture, etc. These traineeships are typically a pre-requisite for licence to practice and tend to be both well-defined and tightly regulated. However, issues of trainee exploitation can emerge due to incorrect implementation of regulations.
- **Transnational traineeships:** Across all Member States there is evidence of growing popularity of transnational work-related mobility. EU mobility programmes, notably the Leonardo da Vinci and Erasmus programmes, have increased the number of transnational work placements across most Member States. A growing number of countries are actively promoting traineeships abroad, either through EU or other international youth mobility programmes such as AIESEC and IAESTE as well as through national initiatives.

Sectors where Traineeships are more common

The type, range and profile of sectors where traineeships are more prevalent differ, to some extent, according to the specific type of traineeships. In certain sectors traineeships are a compulsory part of mandatory professional training (see previous section). In addition, there are a number of sectors where traineeships are increasingly common, including the creative industries, media/journalism, the public sector, third sector/NGOs, hospitality, business administration and financial services. Some of these sectors such as the creative industries, media/journalism and the third sector/NGOs have also been associated with questionable employer practices. The latter include low or poor learning content; poor working conditions; inadequate compensation; using trainees as substitutes for regular staff; repeatedly renewing traineeship contracts without offering a permanent position etc.

Great Variety of Trainee's Terms and Conditions

The trainee's rights, terms and conditions vary considerably both between different types of traineeship and Member States. For example, traineeships linked to study curricula and mandatory professional training have more clearly defined terms and conditions as opposed to those in the open market. The issue of trainees' terms and conditions has increasingly become the focus of lively political debate across the EU. As a result, **a number of Member States with the aim of improving the trainee's terms and conditions have introduced or are in the process of developing new legislative/regulatory measures and/or quality frameworks.**

Growing Emphasis on Quality Assurance

In a number of Member States and for certain types of traineeships the study identified widespread concerns about the quality of traineeships. **A number of countries have actively sought to improve this quality by strengthening quality assurance mechanisms.** These include **traineeship-related legislation** (e.g. the 2011 Cherpion Law in France) as well as

specific **quality frameworks** either regulated by public institutions (e.g. educational establishments, public employment services etc.) or developed by the social partners, or promoted on a voluntary basis by employer associations, professional bodies and even governments (e.g. the 2011 *Common Best Practice Code for High Quality Internships* in the UK). Quality assurance standards may be compulsory or voluntary.

Effectiveness of Traineeships

Across the EU there is a **growing awareness of the benefits of traineeships in terms of facilitating the school-to-work transition**. However, there is an uneven and rather patchy body of evaluation literature on the effectiveness of traineeships. The available literature appears to indicate **the most effective traineeships are those undertaken during education** and, in some instances, those linked to well-structured ALMPs. The main success factors of these traineeships seem to be i) their strong links with the labour market; ii) a well-structured approach; iii) active engagement of stakeholders, including employers; and iv) robust quality assurance mechanisms.

Recommendations

This study has highlighted a number of traineeship-related areas where further action is required either at EU and/or national levels.

- There is a **need for a clear definition of traineeships at EU level**. Given the great variety of traineeships, this definition may outline the key aims and features of these schemes, while leaving some space for the specificities of particular types.
- There should be **more support to include traineeships as a part of study curricula**, where possible traineeships should take place during studies and not after graduation.
- A concerted effort should be made at both EU and national levels to **increase the supply of traineeships**, especially in SMEs.
- There is a **need for a Quality Framework for Traineeships** offering clear and practical guidelines about high quality traineeships.
- There is a **need for some financial support to trainees**, especially those from less privileged backgrounds.
- Steps should be taken to **encourage open and transparent recruitment processes** for traineeships.
- There is a need for **more robust data on and evaluation of all types of traineeships at both national and EU levels**. This includes both quantitative and qualitative data which can be used for assessing the quantity, quality, impact and effectiveness of traineeships.

10.3. Annex III – Regulatory Framework

	AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Whether there is a legal definition of traineeships/trainees	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	x	x	x	✓	✓	✓	?	✓	✓	✓	✓	x
Whether there is a specific regulation on traineeships	x	x	x	x	x	x	x	✓	x	✓	✓	✓	✓	x	✓	x	x	x	x	x	x	✓	x	x	✓	✓	x
Whether there is a specific target group of regulations	x	✓	x	x	✓	✓	x	?	✓	✓	✓	✓	x	?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	x
Whether regulation cover specific areas/professions	✓	?	x	✓	✓	✓	?	?	✓	✓	✓	?	x	x	?	?	?	?	?	✓	✓	?	✓	✓	✓	x	✓
Whether there is a concept generally accepted or common understanding of a national definition of traineeships/trainees	✓	x	✓	x	✓	✓	x	x	✓	✓	✓	x	✓	✓	x	x	✓	x	✓	✓	✓	x	✓	x	✓	✓	✓
Whether there are legal provisions about length/duration of traineeships	x	✓	✓	x	x	✓	x	✓	✓	✓	✓	✓	✓	?	✓	?	✓	x	✓	x	?	✓	✓	x	✓	✓	✓

	AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Whether there are legal provisions of remuneration for traineeships	x	?	x	x	x	?	x	?	✓	✓	x	✓	✓	✓	x	✓	x	x	✓	x	?	✓	✓	✓	✓	✓	x
Whether there are formal obligations for parties involved (e.g. trainees, employers, educational institutes)	?	✓	✓	?	x	✓	x	?	✓	✓	?	✓	✓	✓	✓	?	✓	✓	?	✓	✓	?	✓	✓	✓	✓	✓
Whether there are legal/administrative barriers for traineeships undertaken by foreign EU students	?	✓	?	?	?	✓	x	?	✓	✓	?	✓	?	✓	x	?	✓	✓	x	✓	✓	?	✓	x	x	?	?

Key: (✓) Yes (X) No (?) Unavailable/Unclear

Source: Traineeship study, European Commission (2012a)

10.4. Annex IV – A voluntary approach to Quality Labels for Traineeships

In response to concerns about traineeship qualities, in the UK a number of initiatives have been taken by professional associations, stressing voluntary adherence to codes of conduct by host organisations, particularly regarding open market traineeships. This type of traineeship has been subject in the UK to no or the least regulation and little by way of formal quality assurance processes. There has been an number of voluntary quality charters and frameworks aimed at providing good practice guidelines to organisations which take on trainees. Two have had a particularly high profile.

- In 2009 the UK's Chartered Institute for Personnel and Development (CIPD) produced an Internship Charter aimed at promoting quality traineeships.
- More recently, on 18 July 2011, a consortium of 60 professional associations launched, with the support of the UK Government, a voluntary Code of Best Practice for Quality Internships as a way of addressing concerns about such schemes, including those associated with mandatory professional training. Although the Code of Best Practice for Quality Internships touches on trainee remuneration, it does not include it as part of its best practice principles. Instead, it exhorts employers to comply with the law whereby trainees, unless classified as volunteers, are entitled to NMW, and mentions that higher pay might attract higher calibre candidates to traineeships.

Both the Internship Charter and the more recent Code are entirely voluntary and have no legal force.

The Code recommendations cover similar quality elements as those identified by the Traineeship study, such as a written traineeship agreement and a specification of the nature and content of the tasks.

- Preparation – Firms need to think beforehand about the effective use of the trainee
- Recruitment – Recruitment practices for trainees should be the same as those for regular employees. Traineeship adverts should clearly state the trainee's roles and responsibilities as well as pay, duration and working hours
- Induction – All trainees should have a formal induction to the company
- Treatment – Trainees should be treated the same as regular employees, integrated into the organisation and given meaningful work
- Supervision and mentoring – There should be a supervisor with ring-fenced time in their schedule to work with the trainee. The supervisor should establish performance and learning objectives, conduct performance reviews and provide feedback
- Certification, reference and feedback – Trainees should receive a certificate/reference letter and have opportunity to feedback to the organisation on their experience.

Source: <http://www.bis.gov.uk/assets/BISCore/higher-education/docs/C/11-1068-common-best-practice-code-for-quality-internships.pdf>

10.5. Annex V – Sectoral distribution of traineeships by country

Sectors	Member States
Creative industries (e.g. Culture, Art & Publishing)	AT, BE, DE, DK, EL, ES, FI, FR, IE, IT, LT, LV, MT, NL, PT, SE, UK
Media/Journalism & PR	AT, BE, DE, DK, EL, ES, FI, FR, IT, LT, LV, MT, NL, SE, UK
Tourism & Hospitality industry	AT, BE, CY, CZ, DE, DK, EE, ES, EL, FR, HU, IE, IT, LU, LV, MT, PL, PT, RO, SI, SK, UK
Business Administration & Management Consulting	AT, BE, DE, DK, EE, ES, FI, FR, HU, IE, IT, MT, NL, PT, SE, SI, SK, UK
Banking, Finance & Accountancy	BE, CY, DE, DK, EE, ES, FI, FR, HU, IE, IT, LU, MT, NL, PT, RO, SE, SI, SK, UK
Manufacturing	AT, BG, BE, CZ, DE, ES, FI, FR, IT, LV, MT, NL, PL, RO, SE, SI, SK, UK
Third Sector/NGOs	AT, BE, CZ, DE, EL, ES, IE, IT, FI, FR, IT, LT, LV, MT, PL, RO, SI, SK, UK
Public Sector	BE, BG, CZ, DE, EL, ES, FI, FR, IT, LT, MT, NL, PL, PT, SI, SK, UK

Source: Traineeship study, European Commission (2012a)

10.6. Annex VI - Market failure in traineeships

Structural differences in benefits from employment and traineeship contracts....

In a regular employment contract, the benefit each party obtains from the arrangement is, to a large extent, clear and measurable. In exchange for his or her work effort, the worker receives a known amount of pay. The pay is fixed in advance and the work effort can be monitored by the employer.

To be sure, there are other elements of mutual benefit that are less concrete and measurable, but may yet form part of either side's expectations from the contract: for example, the worker may expect a pay raise in the future, or the firm may expect a well-treated worker to spread some good words about the company. But in any case these are accessory elements, which would not fundamentally alter the balance of the relationship if they did not materialize.

The situation is radically different in a traineeship contract. Here, the main benefits accruing to the two parties are not so much pay and effort but a set of other benefits (see Chart 1).

The main benefits of the traineeship for the host organisation are:

1. The possibility to assess precisely the value and productivity of the trainee in case it should want to hire a worker ("screening" benefit); this is often the main reason for offering a traineeship position. The value of this information depends on many factors, such as the

difficulty in selecting a good employee, the costs of training and dismissing a bad one, the share of good candidates in the job pool etc.

2. The opportunity to maintain a reputation as a good employer or, more broadly, a good organisation, even if it may have no immediate hiring need ('Corporate Social Responsibility'). This is an element of the corporate strategy.

3. The value of the work carried out by the trainee. This can be estimated quite precisely by the HO on the basis of the trainee's qualification and experience.

The main benefits for the trainee are the following:

1. A greater chance of being offered a job at the end of the traineeship compared to an unknown candidate, and the possibility of assessing precisely working conditions in the event;

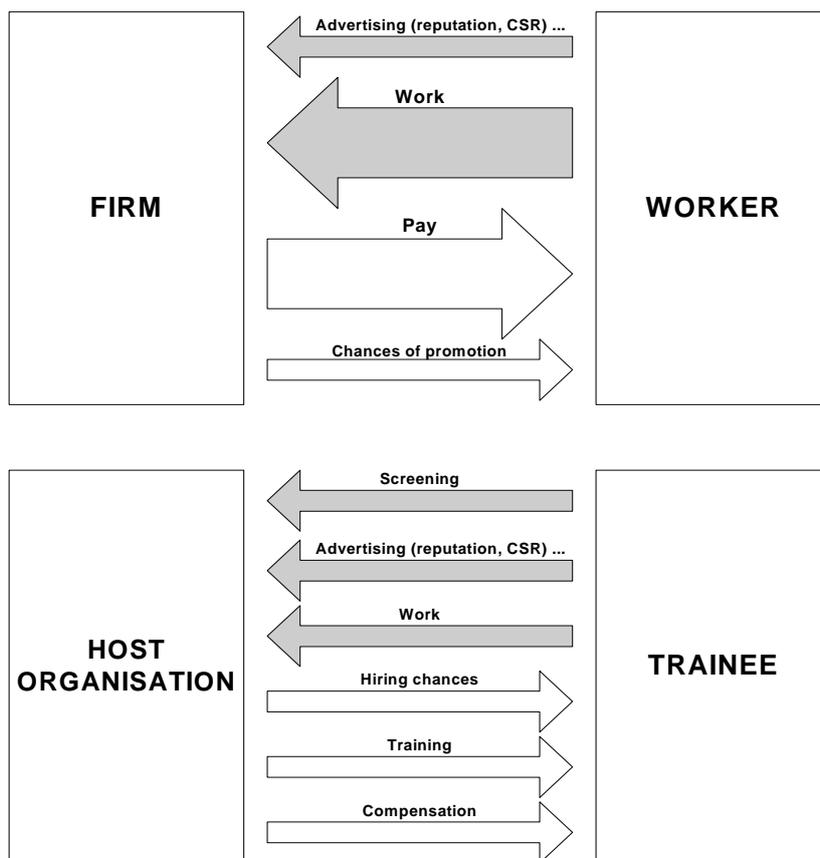
2. The value of the practical on-the-job training received, which comes at a cost to the host organisation, in the form of time dedicated to form trainees by qualified employees or trainers;

3. The strengthening of one's job prospects with other firms, consequent to having completed a traineeship and having thus gained a higher productivity.

4. Compensation, if any

The traineeship agreement will be concluded if both sides consider that the respective costs are in balance with the benefits.

Figure 1. Schematic representation of bilateral benefits in employment and traineeship arrangements



...create room for market failure

In a normal traineeship, work and pay, taken in isolation, play a less important role than in a regular employment contract. Trainees' lack of experience translates into low productivity and correspondingly low compensation, if any is paid at all. Hence the rationale and advantage of the contract derives much more from the anticipated value of the other, less tangible, benefits.

This situation creates room for market failure. In a traineeship, particularly the value of the benefits accruing to the trainee is uncertain and difficult to assess in advance ('information asymmetry'). The trainee has little possibility of realistically assessing his or her chance of being hired at the end of the traineeship, or even whether the host organisation intends to hire at all. Equally difficult is assessing in advance the value of the job training to be received and the consequent strengthening of prospects with other firms. This makes it possible for the host organisation to underdeliver on the quality of training, i.e. on the job content and on the general conditions of work.

Trainees cannot screen the quality of the traineeship on the basis of whether the traineeship is paid or unpaid. Although low quality is more common in unpaid traineeships, high-quality unpaid traineeships exist, particularly in case of technical professions with high training costs or where a large imbalance between candidates and available positions encourages host organisations to minimize compensation.

Once the traineeship has begun, the scope for trainees to lobby effectively for improving the quality of the traineeship, if it is deficient, is very limited. Trainees may initially put up with the situation in the hope that it could improve later. They may be reluctant to complain out of fear of compromising their employment prospects; and they have difficulty referring to quality standards because these often do not exist. They also face a cost in changing companies and the duration of the traineeship is not very long anyway.

As a result, trainees are often ‘trapped’ into completing a bad quality traineeship. This will at any rate give them some kind of positive outcome (i.e. a mention on their CV) compared to no benefit at all if they abandon the traineeship.

Not only trainees, but also other companies will have difficulty screening ex post the quality of a previous traineeship followed by a job candidate. This also contributes to market failure.

As a result, the traineeship market is characterized by an equilibrium in which a certain share of traineeships is low quality. This is in line with survey results, outlined in Box 1, showing consistently that a share of traineeships of 20-40% is of insufficient quality.

Conditions for market failure to occur

Intentional under-delivery of training or imposition of harsher working conditions can occur if the host organisation has no intention to hire and does not care too much about its reputation, as otherwise its behaviour would undermine the attainment of those objectives. Such a ‘free-riding’ host organisation will have an incentive to limit its training costs to the absolute minimum, in order to maximize its profits. For this reason the risk of bad quality is greatest on open market traineeships, as there is no external control on training quality.

The market will always offer some high-quality traineeships, because even in a deep recession, some organisations always have hiring needs. However, this share is likely to be lowest now, because the crisis has affected hiring plans negatively; this reduces the incentives for offering a high quality traineeship. It may also reduce the attachment of Ho to adhere strictly to CSR principles.

Consequences of market failure

Cost minimization (or profit maximization) by free riders explain both types of problems identified by the studies, i.e. limited learning content and bad working conditions, as free riders will both want to minimize the training costs and will also tend to ‘push’ trainees to supply the maximum possible output. In practical terms, low-quality traineeships will be characterized by very limited.

10.7. ANNEX VII – Comparison of the quality elements considered by the Commission with the Code of Best Practice (UK), the Loi Cherpion (FR) and the European Quality Charter on Internships and Apprenticeships presented by European NGOs

Commission considerations	Code of Best Practice for Quality Internships	Loi Cherpion	European Quality Charter on Internships (for open market traineeships)
Traineeship agreement		Compulsory traineeship contract for all types of traineeships	Traineeship contract outlining the length, remuneration, learning content and tasks.
Objectives need to be clarified, learning content and monitoring (mentorship), as well as evaluation to be ensured. A final certificate/reference letter is to be given to the trainee.	Induction training and meaningful work to be provided; supervisor with ring-fenced time should establish performance and learning objectives, conduct performance reviews and provide feedback. Trainees should receive a certificate/reference letter and have opportunity to feedback to the organisation on their experience.	Learning content of the traineeship to be of high quality and closely linked to the trainee’s studies and/or training and professional development activities; the traineeship should be recognized as part of the probation period if the trainee is recruited within 3 months upon its completion; trainees should not be assigned tasks performed by regular staff.	Internships to be carried out under guidance of a supervisor and have access to robust evaluative and complaints channels to monitor progress and quality of the internship; mid-term and final evaluation needed, as well as the possibility to be hired.
Duration – no longer than 6 months (with exceptions).		Max 6 month per academic year.	Length of internship should be restricted to a

			reasonable and fixed number of months.
Limitation of successive traineeships		companies should wait for a period corresponding to 1/3 of the length of the previous traineeship before taking on a new trainee in the same role.	Use of internships should be limited to pupils, students and very recent graduates; limited number of interns per internship provider;
Remuneration/compensation to be clarified in contract (recommended if there is a mutual benefit)	Remuneration is recommended and has to be clarified already in the advertisement.	Trainees undertaking a traineeship lasting for more than two months should receive minimum compensation in the form of a bonus.	Decent remuneration not below the EU poverty line of 60% median income or national minimum wage (whichever favourable).
Social security provisions to be clarified in contract.	Social protection coverage is recommended, and has to be clarified already in the advertisement.		Inclusion of the intern in the social security system, especially those of health, unemployment, pension systems.